# Downtown Full-Time Housing and Short-Term Rental Economic Recovery Plan

2023


City of Ottawa, Illinois

# ACKNOWLEDGEMENTS

The City of Ottawa is grateful for the cooperation of the many downtown businesses and property owners who offered tours of their buildings and participated in interviews to offer their insight on this project.

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This project was funded through a Research in Illinois to Spur Economic Recovery (RISE) grant through the Illinois Department of Commerce and Economic Opportunity

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# INTRODUCTION

Ottawa's downtown district is experiencing a revitalization, with several of its historic buildings undergoing renovation. Diverse businesses are occupying the street level, while long-unused space on the upper levels is mostly being converted to residential uses including apartments and short-term rentals.

*Court Street exemplifies the revitalization happening in downtown Ottawa.*

## Purpose and approach to the study

The pandemic beginning in March of 2020 did have an impact on businesses in the downtown and delayed some projects, prompting the City to apply for a Research in Illinois to Spur Economic Recovery (RISE) grant through the Illinois Department of Commerce and Economic Opportunity. That grant funded this project, including the market research underpinning opportunities for residential apartments and short-term rentals on the upper levels of downtown buildings, and preparation of an ordinance regulating short-term rentals throughout the city.

Several critical steps were taken to conduct the research. They included:

- *Building inventory.* Buildings in the downtown were surveyed to compile data concerning the current use of upper level space.
- *Housing market analysis.* Housing and demographic data was applied to a model forecasting demand over the next decade, broken out by unit type and rent or purchase price. This was used along with observations of current housing to assess the competitiveness of upper level rentals in the housing market.
- *Short-term rental market analysis*. Mobile device tracking was used to understand the volume of visitors to the city and their demographic profile, and to break out travelers by segment. Performance trend data for existing hotels and short-term rental properties was obtained through industry sources.
- *Business case for conversion*. Pro forma were prepared to offer guidance concerning the viability of converting upper floors to residential apartments or short-term rental units.
- *Short-term rental ordinance.* An ordinance was prepared to regulate short-term rental properties within the city, based on the analysis along with review of approaches in comparable communities.

## Public engagement

Community engagement was conducted throughout the course of the research and in adopting the short-term rental ordinance, including:

- *Building data collection (July 2023)*. Three days were dedicated to collecting information about buildings in the downtown district. Numerous meetings were scheduled during this period, including one-on-one discussions with elected officials, and on-site meetings with downtown property owners and/or short-term rental property owners, during which the consultant and City staff toured several buildings.

- *Council presentation one (September 2023).* At the conclusion of the market research, the findings were presented to the Council in a public meeting.
- *Stakeholder meetings (October 2023).* The consultant scheduled a second round of meetings with elected officials and other stakeholders.
- *Downtown developer meeting (November 2023).* The consultant met with a focus group of downtown developers to present and discuss the "business case" for downtown development.
- *Council presentation two (November 2023).* The business case for development was presented to the Council in a public meeting. A work session was held to discuss the short-term rental ordinance.
- *Council presentation three (February 2024).* A third meeting with the Council was used to present the final market study and ordinance.
- *Public hearing (March 2024).* This public hearing was held to consider the short-term rental ordinance.

## The downtown district

Ottawa straddles the Illinois River at its confluence with the Fox River. The downtown lies on the north bank of the Illinois River, west of the Fox River. The core of the district extends north to about Jackson Street, and varies from a couple blocks wide at the north, to several blocks along Main Street in the south. A significant part of the riverfront is being redeveloped as a park. A new YMCA is under construction and a large amphitheater is being proposed at the site.

The city serves as the county seat, with the historic courthouse anchoring the southern end of the downtown. Washington Square Park is located at the north end. LaSalle Street, with one-way traffic headed south, is the primary commercial street. Columbus Street carries northbound traffic. Madison Street and Main Street are the principal east-west streets in the district. The district has seen significant investment in recent years, with several renovated buildings and construction of a new senior apartment building, Anthony Place.

The City is currently in the design phase of a project that will transform the riverfront south of Main Street, adjacent to where a new YMCA is under construction. The City will develop a riverfront park with an amphitheater attracting major touring acts, drawing a significant number of visitors to the downtown area.

Economically, the city has been transitioning from the point in the 1980's when Libby-Owens-Ford and Union Carbide once employed over 2,500 workers, to a more diverse economy in which sand mining, manufacturing, and distribution still remain important, but the economy is no longer dominated by just one or two large employers.

The area has a strong tourism market. Starved Rock State Park, nine road miles to the west, is Illinois' most-visited state park. Matthiessen State Park and other recreation areas are nearby, and the Illinois River is a boating destination. Heritage Harbor has been designed as a vacation community with multiple recreational offerings. The interstate brings through-traffic to the city,

Ottawa is advantageously-located with regard to transportation networks. The Illinois River continues to be an important pathway for barge traffic, including its use to transport sand and other minerals mined in quarries along its banks. Railroad tracks parallel the rivers and provide freight service to the city's industrial park. Interstate Highway 80 is located on the north side of the city.

## Significant findings

The research found a substantial market opportunity for traditional apartments or short-term rentals, while well-designed projects can be profitable investments for owners. The City will see modest economic benefits, while the reuse of vacant space may significantly enhance the vitality of the downtown district.

- The City of Ottawa is experiencing a housing shortage similar to much of the country. Within the apartment sector, there is particularly a shortage of units renting at the higher end of the spectrum, with the quality and amenities expected of those willing to pay higher rents. Many downtown buildings are uniquely positioned to offer exposed brick, wood floors, tall ceilings, skylights and large windows, and similar character features that will command a high rent.
- There is a large market for short-term rentals, comprised of leisure visitors and an unusually large contingent of temporary or contract workers needing a place to stay for an extended period of time. In providing these locations, short-term rentals are contributing significantly to economic development.
- Both traditional rental units and short-term rental units can be profitable as redevelopment projects. Each building will have its own optimal approach, but as a general rule, one-bedroom short term rentals and traditional apartments are favored under current market conditions.
- Economic impacts will be positive, but incremental and not very large in aggregate. The greatest of these will be realized through imposition of the hotel operator's tax, followed by property taxes collected on valuation increases. There will be some additional sales taxes collected as a result of adding short-term rentals, however, it isn't clear that a substantial portion of this would not be captured in stays at alternative lodgings.

# DEMAND FOR UPPER-LEVEL RESIDENTIAL APARTMENTS

Ottawa's housing market is challenged by the age of the housing stock, and very slow pace of new construction. That is true across all housing types, but apartments and condominiums will be most in demand within the downtown area. While the focus of this research is on the apartment market, and specifically the demand for converting upper levels in the downtown's older commercial buildings, there would be opportunities to construct new multifamily buildings including much-needed condominium units.

## Housing conditions

The United States is facing a housing crisis. There are few parts of the country without supply shortages, rising costs of rental and owned housing, and gaps between household desires and the character of homes in their communities. Ottawa is no different. Recent decades have seen little new construction within the city, or even more broadly in LaSalle County. The existing inventory of aging homes often lacks the features or accessibility desired by younger or older households. In this environment, there is certainly demand for all types of housing, and the slow pace of new construction is also a factor in the city's stagnant population growth.

**Recent trends.** The past several years have seen an historically tight housing market. The online marketplace Realtor.com tracked a decline in typical supply of homes on the market, that began in 2020 and has averaged about 40 percent below prior levels of inventory. Listed homes are selling an average of two weeks faster than in prior years, while even in the Midwest, which experienced the smallest increase, the average October 2023 home purchase price has increased by 41.7 percent since 2020.

Mortgage rates that stood around 3.5 percent in 2020 have recently soared to over 7.5 percent, straining affordability for many households who would like to purchase, and placing pressure on households with low fixed mortgages to remain in place, rather than transition to other housing. This is one leading cause for the shortage in homes on the market. The slow pace of new construction is also to blame. Annual housing construction has slowly risen, but remains about 20 percent below the levels seen prior to the housing market collapse that began in 2006-7.

There has also been change within the mix of housing units constructed. Prior to the housing market collapse, about four detached homes or units in small structures were being built for every unit in a building with five or more units. That ratio has been around two for every one unit in a larger structure. Though the ratio has started to increase in recent months, it is due to further slowing in single family construction as a result of higher mortgage rates. Larger multifamily construction is dominated by apartments for rent; according to the Urban Institute, only 5.4 percent of multifamily units started in 2021 were intended for sale.

**Housing preferences.** The ranking of amenities desired by home buyers and renters changes periodocally and can be influenced by conditions like the pandemic, but several considerations have remained consistently at the top of the list. For renters, these include pet-friendly policies (over 70 percent of renters have a pet), upgrades such as granite countertops and stainless steel appliances, in-unit washer and dryer, private outdoor spaces such as a patio or balcony, generous storage, covered parking, and smart home features.

As single family construction will not take place in downtown Ottawa, it is more useful to examine the condominium segment. The fact that several downtown business owners have chosen to live in renovated space on the upper level of their building suggests the potential for some condominium development.

Younger and older buyers make up the majority of condominium buyers for different reasons, though they often seek the same features in a unit. About 60 percent of condominium buyers are first-time home buyers, while 29 percent of buyers over 60 purchased attached housing, either a condominium (17 percent) or townhome (12 percent). Mordor Intelligence is forecasting a three percent annual growth in demand.

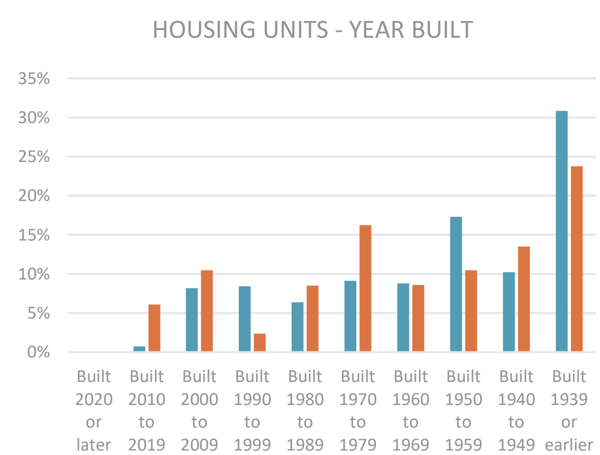
One- and two-person households have increased from 40 percent to 63 percent of the population over the past 50 years. These are the core market for condominium purchases, making up 45 percent of owned multifamily households, compared to just 20 percent of single family home owners. RCLCO classifies them into three segments:

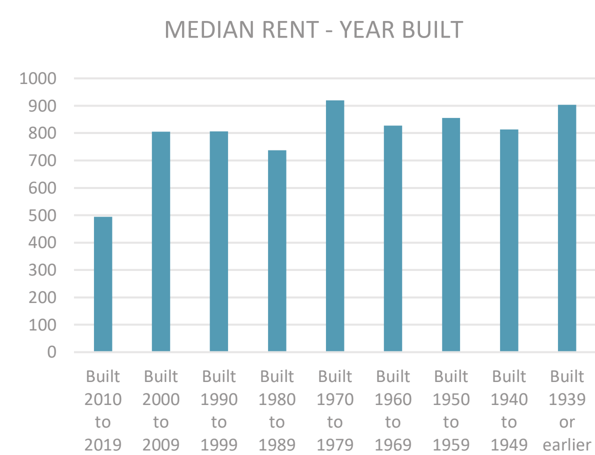
- *First movers* are younger households making their first purchase. They are motivated by location and will compromise on size for better-quality design and layout.
- *Lifestyle buyers* are higher-income, middle-aged professionals without children. Location, amenities, and design are all important, with an expectation for high-end finishes, appliances, design and building services or amenities.
- *Empty nesters* are the fastest-growing market segment. They are downsizing from detached suburban housing. They seek larger units (1,500 square feet) with two bedrooms, all on a single level, and are willing to sacrifice a prime location for unit size.

Like renters, these buyers want pet-friendly policies, balconies, stainless steel appliances (high-end), energy-efficiency and smart home features, stone countertops, wood floors, and other quality design features, which can include views. They will also expect indoor parking and an elevator for upper-level units

**Character of existing housing.** Ottawa's existing housing is largely defined by its age. The median owned home in Ottawa was constructed in 1955, and only 8.9 percent of owned housing has been built since 2000. For renters, the median unit was built in 1963, with 16.6 percent of units constructed since 2000.

The age of the housing stock is a factor in the types of rental units available, with 40.3 percent of the total made up of detached single family homes, and only 17.1 percent in buildings with ten or more units. Of the detached single family homes used as rentals, 71.4 percent were constructed prior to 1960, while just 12.4 percent have been built since 2000. Newer units are mostly found in buildings with five to 19 units, with 83.5 percent constructed since 1960, and just over half (51.7 percent) since 1980. Among units in the largest buildings, with 20 or more units, 36.3 percent were built 1960 or later, and 12.8 percent since 1980.



Because the mix of units is skewed by age, there is an influence on the rent being paid. Older units are commanding some of the highest rents, but this group is dominated by detached single family homes. The lowest rents are being paid for the newest units, which were constructed using financing for affordable housing, which caps the rent that can be asked.

Census data demonstrates that nearly all of the city's rental housing meets basic standards such as plumbing and kitchen facilities. A review of online listings helps to characterize typical quality and amenities. Many of the homes listed for rent feature low-end appliances and finishes. It is not uncommon to see dated kitchens, dropped ceilings, window air conditioners, and older windows that suggest cosmetic updates and underlying issues such as a lack of energy efficiency. Few appear to have a garage.

Smaller apartment buildings tend to reflect a utilitarian design consistent with their age, though some have updated flooring or other features that give them a fresher look. They still offer basic kitchens and baths, and most appear to have electrical heat and either no air conditioning, or window units. A small number of older units have restored period features like built-in bookcases and wood floors to position them for higher-end rentals. Larger apartment communities tend to have more consistently updated units.

Rental units are available at Heritage Harbor. These are new buildings and have modern in-unit amenities, quality finishes, and garages, along with access to the community amenities in the subdivision.

New apartments have been recently made available in the downtown, as several buildings have been renovated. These renovated units are among the most attractive in the city, often capitalizing on design features such as exposed brick, wood floors, skylights and large windows, and high ceilings, to create unique living spaces. They are commanding some of the highest rents, comparable to units at Heritage Harbor.

## Demographic/economic conditions

Ottawa's population was estimated at 18,764 in 2023, continuing a slow decline. It is expected to continue to decrease by 0.36 percent per year. While gaining or losing some in each decade, the population has been more or less unchanged, varying by no more than 500 people from an average of 18,375 each decade since 1975.

The city's population is mostly white (86.2 percent) followed by two or more races (7.3 percent). Persons of Hispanic origin make up 9.8 percent of the population, which is about half the national average.

The 2023 median household income in the city is $60,786, which is significantly below the $72,603 figure for the United States.

Employment within the city declined between 2011 and 2021, though in 2021 it was still within a normal range of variation from year to year. The most notable declines have been in health care and accommodation and food services. These both posted their declines in 2020 and 2021, and are among the industries most impacted by the pandemic. Within LaSalle County there has been a more significant drop in employment, with health care, retail, and accommodation and food services posting losses. Manufacturing, health care, and retail are the largest industries, as they are in Ottawa, which adds administrative support and waste management and remediation.

## Downtown building inventory

Ottawa has a large downtown with mostly one- to three-story buildings constructed from the middle of the $19^{th}$ century up to the middle of the $20^{th}$ century. The typical pattern is brick construction with the façade at the street line and extending across the full frontage, with few gaps between buildings on a block.

There are 73 downtown buildings with street level commercial, and upper levels that might be considered for apartment or short-term rental use. Altogether, these buildings have an aggregate

*Typical character of downtown buildings where residential units can be provided on the upper levels*

279,614 square feet of space, with 77.1 percent on the second level, 15.2 percent on the third level, and 7.7 percent on higher levels.

Measured by square footage, the largest area of downtown upper-level space is vacant, with an estimate 110,790 square feet unused. This figure includes apartments that are vacant and no longer rented. Residential uses make up the next-largest use, totaling 98,050 square feet. Commercial uses follow closely, with 81,874 square feet.

Most lots have 20 to 40 feet of frontage and extend a minimum depth of 80 feet. As a result, many of the buildings are narrow and have windows only at the front and rear. This can create design challenges both in fitting two stairways for access, and in proving natural light in interior rooms. A handful of buildings have a large floor area with the opposite challenge, trying to lay out units in interior space far from an exterior wall with windows.

Several candidate buildings already have apartments in varied condition, with some newly-constructed units, older ones still in use but in need of improvement, and others that are obsolete and no longer rented. These can include units made available as short-term rentals.

Observations and interviews with building owners identified a handful of common issues encountered in trying to create new apartments on the upper levels of downtown buildings. Four of these are expected to have an aggregate cost of $1.99 to $2.82 million to rectify. This assumes some buildings with existing apartments may also need stairway improvements, and 56,000 square feet of vacant space is converted to new units.

- *Stairs*. Most of the smaller structures in the downtown have a single stairway to access the upper level. It may not meet current code regarding the need for landings, as well as for the depth of treads and height of risers. If there are no changes, the stairs can be grandfathered to address these issues. Installing a second, or new stairway often impacts usable space on both the ground and upper levels. It may be possible to add an exterior stair where there is a rear or side wall and sufficient space on the lot. Another option may be to share access with adjacent buildings.

  Costs to install a stairway can vary considerably, depending on issues such as whether it is internal or external, if a prefabricated unit can be used, the material used, and what improvements are required to accommodate it. A typical range can start at $5,000 and continue to $20,000, though higher costs are possible.

- *Structure*. The age of these buildings contributes to structural issues, particularly as they settle over time. It is not uncommon for floors to be several inches off from level. Other structural issues include walls, joists, columns, and other supports that have separated from their connections, or have been compromised by past alterations.

  The range of possible issues makes it all but impossible to estimate the costs to repair structural issues.

- *Fire separation*. Many buildings may need to be retrofitted to provide fire separation

ESTIMATED AGGREGATE COST OF SELECTED IMPROVEMENTS

| RENOVATION COST | DEMAND | ESTIMATED COST | TOTAL COST |
|---|---|---|---|
| Second stairway or improvements to existing stairs | 24 to 30 buildings | $10,000 each | LOW: $240,000<br>HIGH: $300,000 |
| Structural improvements (foundation, walls, framing, etc.) | 18,000 to 28,000 sq. ft. | $20 to $40 per sq. ft. | LOW: $350,000 to<br>HIGH: $1,120,000 |
| Fire separation between uses | 56,000 sq. ft. | $5 per sq. ft. | $280,000 |
| Electrical, mechanical, and HVAC systems | 56,000 sq. ft. | $20 per sq. ft. | $1,120,000 |
| | | | LOW: $1,990,000 to<br>HIGH: $2,820,000 |

between commercial and residential levels. This will impact the ground floor space and may require the removal of historical architectural elements like pressed tin ceilings.

A figure of $2.50 per square foot may be used to estimate the cost of installing fire separation. This would not include any additional demolition or improvements that might be needed.

- *Natural lighting.* Most buildings have windows only at the front and rear, making it difficult to provide light into interior rooms. Some rooms can be illuminated with skylights. This is primarily a design impediment.
- *Electrical, mechanical, and HVAC systems.* This basic infrastructure is missing or noncompliant in nearly all of the buildings that are candidates for conversion. Installing these new systems on the upper levels may trigger a need to upgrade the ground floor, and event connections to the utilities.

  As with structural concerns, the need for upgrades or replacement of these systems, and the associated costs, will be highly variable.
- *Impact to first floor.* Many of the upper levels of downtown buildings were intended for storage, or never had residential units. Much of the infrastructure for these units will run through walls, floors, or ceilings on the ground floor, disrupting any businesses and potentially altering the way in which the space is configured. This obstacle is a disincentive to undertaking an upper level project.

  In addition to the cost of making improvements that are unlikely to affect building value or the rent that can be expected from the commercial space, the property owner (or business) will need to contend with lost rent or sales during renovation.
- *External issues.* Noise and concerns about safety have been raised as a reason why some owners are unwilling to create residential units in their buildings. Their concern is that these issues will limit the number of people willing to rent.

Parking is a concern unique to the downtown. Only a small number of buildings have private parking, usually only for one or two vehicles at the back of the lot. The City has devised a permit program that will work for standard apartments, but may be harder to implement for short term rentals. Future enhancements should consider an online registration for temporary permits.

Downtown apartments on the upper levels of historic buildings have unique advantages in the marketplace. This is an opportunity missed in many older units that have catered to a lower-income renter. Most new units have been designed to highlight features such as wood floors, exposed brick, high ceilings, and large windows. These features are matched with contemporary design, higher-end appliances, and quality finished like granite countertops, to command a higher rent.

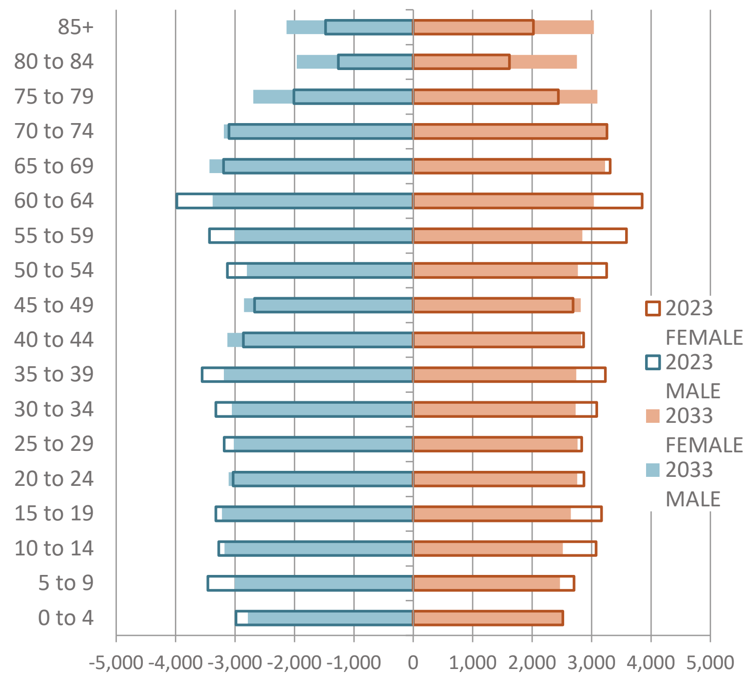
## Market demand for housing

Any market analysis contains elements of both data (quantitative analysis) and an appraisal of forces influencing the area (qualitative analysis). Examples might include resources, perceptions, anticipated changes, and other factors that have not yet fully influenced the data used to project trend lines. These issues need to be considered when interpreting the data or trends, and considering future potential.

**Population.** The City's population has remained relatively constant from 1960 onward. In that year it hit a high of 19,408 residents, dropping to 17,451 in 1990, and returning to 18,840 in 2020. The city's population is largely white (89.6 percent) and moderate income, with a median household income of $61,083. This compares to $62,825 for all of LaSalle County, $68,428 for Illinois, and $70,784 nationally. LaSalle County, which is representative of the city's laborshed and housing market, has seen its population follow a somewhat similar track, though it lost residents between 2010 and 2020. Its 2020 population count of 109,658 residents is similar to the population in 1960, though down only 3.7 percent from the 2010 peak.

LaSalle County is projected to lose population over the next decade, dropping from a current year estimate of 105,601 to 103,626 residents in 2033. Contributing to this loss are expected factors such as slower rates of natural growth and out-migration among college-age and recently-retired adults. Even with this population loss, though, the number of households in the county should remain relatively unchanged, dropping from 44,972 to 44,841. This happens as household size decreases, especially with more one-person households.

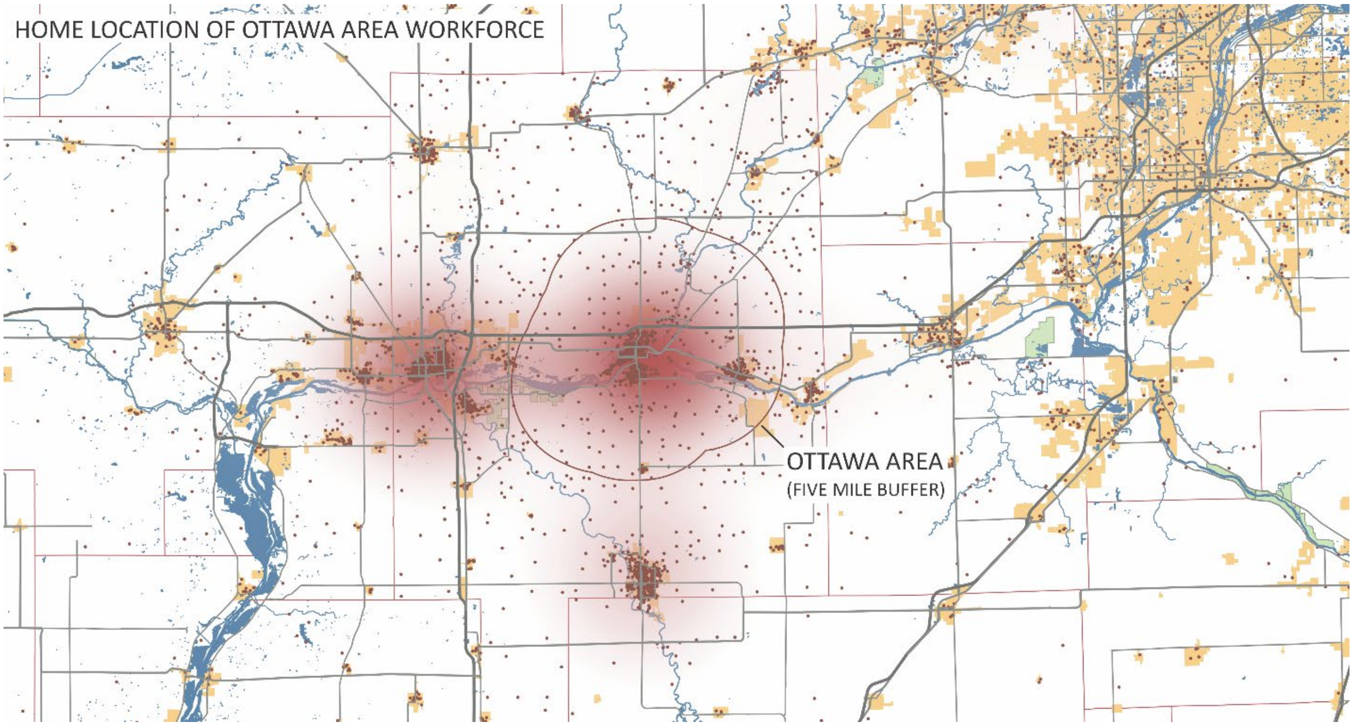
2023 AND 2033 POPULATION BY AGE AND SEX




### *Employment*

The number of establishments and employees in LaSalle County declined between 2002 and 2022, with 230 fewer establishments employing 1,274 fewer workers. Education, retail, wholesale trade, and information account for the largest losses in employment. Most sectors recorded a loss, though administrative and support and waste management and remediation saw a large gain, with smaller gains in mining, manufacturing, and accommodation and food services.

Looking more closely at just the Ottawa area, the number of primary jobs located within five miles of Ottawa fell between 2010 and 2020, declining by 532 jobs, from 11,796 to 11,264. This area runs counter to some county-wide trends, adding 330 jobs in wholesale trade and 215 in transportation and warehousing. Jobs were also added manufacturing (293) and public administration (181). This indicates a realignment of economic activity with more of the regional establishments and employment becoming concentrated in



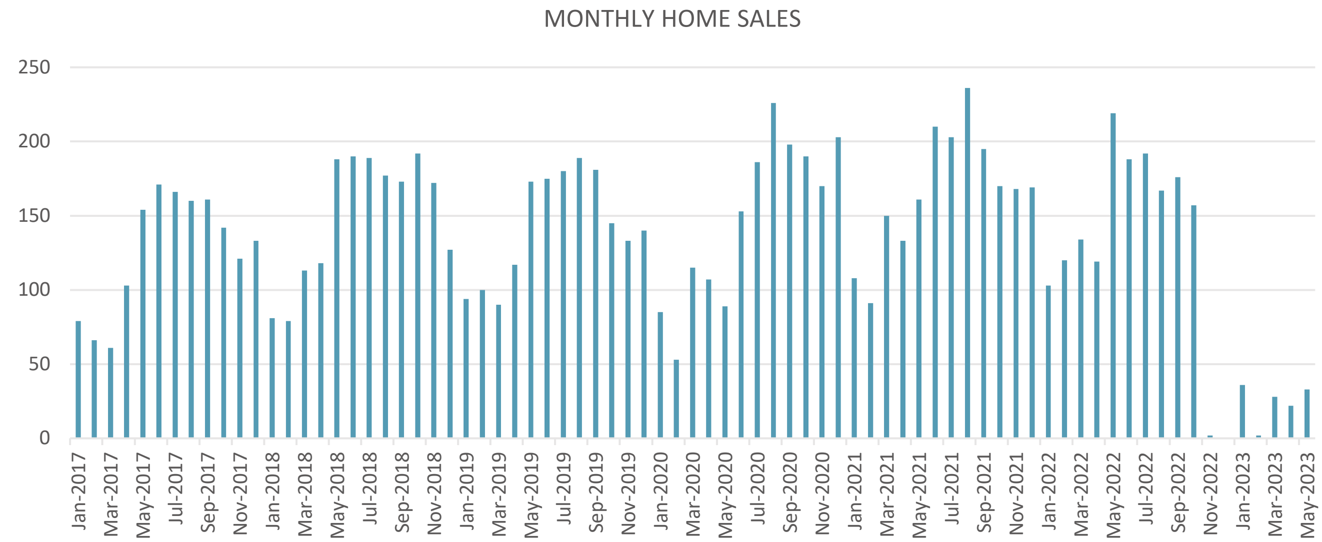

Ottawa. Still, the Ottawa area lost 732 employees in retail trade, 512 in health care and social assistance, and 286 in accommodation and food services. These activities are becoming more concentrated in larger communities like LaSalle - Peru and the Chicago suburban area.

Over time, more of the area's jobs are being filled by older workers, with those held by people 55 years or older increasing by 568, while there are 695 fewer workers between 30 and 54 years old, and 405 fewer workers under 30 years old. Meanwhile, the labor market around Ottawa has seen an increase in the number of workers between 30 and 54 years old (1,028) and under 30 years (200). More of these residents work in jobs in jobs in sectors that have lost employment locally or in the county, such as retail trade (315), accommodation and food services (191), educational services (181), and health care and social assistance (173).

Older workers are more likely to live and have jobs in the area, while younger residents are commuting to jobs elsewhere. The percentage of primary job workers living and working in close proximity (10 miles) decreased by 7.6 percent, or 895 workers. There was also a decline of 174 among those workers living 10 to 24 miles from the study area. The decline in those both living and working in the area was most acute among people aged 30 to 54, and workers in services.

There has been a decline in the number of jobs in the area filled by persons with a bachelor's degree or higher levels of education (-119), by those with some college (-50), and by those with only a high school degree (-101). The number of jobs filled by people with less than a high school education has increased by 143. By 2020, the local workforce had 1,186 fewer people working in jobs paying more than $3,333 per month than it did in 2010. It had more people with a high school education or some college up to an associate's degree, but fewer with a bachelor's degree. The workforce added 800 women while shedding 164 men.

**Housing market.** There has been little new housing construction in the city, with 447 homes added in the twelve years between the end of the housing market crisis in 2010, and 2022. Most of the homes built have been at Heritage Harbor, a development targeting second-home owners. Units in multifamily structures are more likely to include apartments, and only 164 of these units were added in the twelve-year period. All of



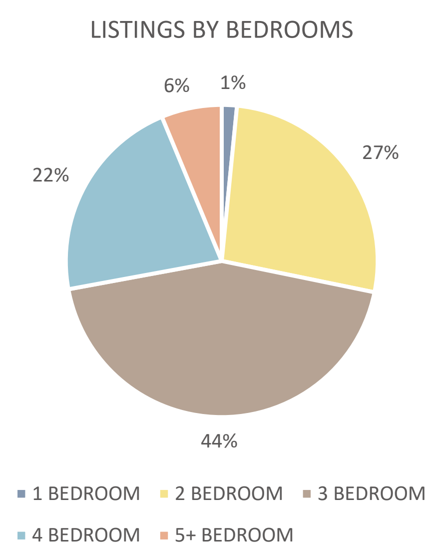

LaSalle County has seen slow housing construction, adding just 1,319 housing units between 2010 and 2022, or roughly 2.6 percent of the current housing stock. That pace of about 110 new units per year is well below what could be absorbed in the market, including both homes for sale and rentals.

Home sales data from realtor.com is recently showing a sharp drop in homes sold, which may be attributed to the increase in mortgage rates, coupled with longer-term shortages in supply. Supply shortages act to drive up the average selling price. Homes in LaSalle County had a median listing price of $200,000 in July of 2023, compared to $128,450 in July of 2018. The median list price in the City of Ottawa was $179,900. The county list price works out to $118 per square foot. Bankrate.com reports the average construction cost for a new home in the Midwest region at $109 per square foot. Three-bedroom homes dominate the market, followed by two-bedroom and four-bedroom homes.

A total of 132 active listings in the county in July of 2023 compares to 484 in July of 2018, while the average number of days on the market has fallen to 38 from 66. Recent sales have had a median price of $133,000, compared with $100,000 five years earlier. There were 33 sales in July of 2023, compared with 166 in July of 2018.

Rising home purchase costs can be expected to increase demand for rentals, as households are unwilling or unable to transition to owned housing.

**Future housing demand.** Estimates of future housing demand measure the number of expected buyers or renters in the market, based on population trends and measures of affordability. These are not necessarily new households, as the market of buyers and renters can include those wanting to move to a new home or apartment. Some of these households will remain in place instead of moving. As an example, the low number of homes listed for sale



### PROJECTED ANNUAL MARKET DEMAND FOR HOUSING

| HOUSEHOLDS | 2023 | | | 2028 | | | 2033 | | |
|---|---|---|---|---|---|---|---|---|---|
| BY AGE | TOTAL | OWN | RENT | TOTAL | OWN | RENT | TOTAL | OWN | RENT |
| 15 TO 24 | 1,104 | 220 | 884 | 1,060 | 211 | 849 | 986 | 196 | 789 |
| 25 TO 34 | 6,602 | 3,573 | 3,029 | 5,872 | 3,178 | 2,694 | 5,406 | 2,926 | 2,480 |
| 35 TO 44 | 6,597 | 4,906 | 1,691 | 6,329 | 4,707 | 1,622 | 5,860 | 4,358 | 1,502 |
| 45 TO 54 | 6,747 | 5,564 | 1,183 | 6,035 | 4,977 | 1,058 | 5,848 | 4,822 | 1,025 |
| 55 TO 64 | 9,776 | 6,666 | 3,110 | 9,148 | 6,238 | 2,910 | 7,179 | 4,895 | 2,284 |
| 65 TO 74 | 8,397 | 6,084 | 2,313 | 8,637 | 6,258 | 2,379 | 8,604 | 6,234 | 2,370 |
| 75 TO 84 | 3,739 | 3,224 | 515 | 7,013 | 4,044 | 646 | 11,362 | 6,249 | 998 |
| 85+ | 2,010 | 1,599 | 411 | 2,130 | 1,695 | 436 | 3,711 | 2,952 | 759 |
| TOTAL | 44,972 | 31,836 | 13,136 | 44,558 | 32,152 | 12,407 | 44,841 | 32,633 | 12,208 |

| EXPECTED | 2028 | | | 2033 | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| CHANGE | TOTAL | OWN | RENT | TOTAL | OWN | RENT | TOTAL | OWN | RENT |
| 15 TO 24 | -44 | -9 | -35 | -75 | -15 | -60 | -118 | -24 | -95 |
| 25 TO 34 | -730 | -395 | -335 | -467 | -253 | -214 | -1,196 | -647 | -549 |
| 35 TO 44 | -268 | -199 | -69 | -469 | -349 | -120 | -737 | -548 | -189 |
| 45 TO 54 | -712 | -587 | -125 | -187 | -154 | -33 | -899 | -742 | -158 |
| 55 TO 64 | -628 | -428 | -200 | -1,969 | -1,342 | -626 | -2,597 | -1,771 | -826 |
| 65 TO 74 | 240 | 174 | 66 | -33 | -24 | -9 | 207 | 150 | 57 |
| 75 TO 84 | 3,274 | 820 | 131 | 4,349 | 2,205 | 352 | 7,623 | 3,025 | 483 |
| 85+ | 120 | 96 | 25 | 1,581 | 1,258 | 323 | 1,701 | 1,353 | 348 |
| TOTAL | -414 | 316 | -729 | 283 | 481 | -199 | -131 | 797 | -928 |

| ANNUAL CHANGE | TOTAL | OWN | RENT |
|---|---|---|---|
| 15 TO 24 | -12 | -2 | -9 |
| 25 TO 34 | -120 | -65 | -55 |
| 35 TO 44 | -74 | -55 | -19 |
| 45 TO 54 | -90 | -74 | -16 |
| 55 TO 64 | -260 | -177 | -83 |
| 65 TO 74 | 21 | 15 | 6 |
| 75 TO 84 | 762 | 303 | 48 |
| 85+ | 170 | 135 | 35 |
| TOTAL | -13 | 80 | -93 |

| AVERAGE ANNUAL BUILDING PERMITS ISSUED IN THE LAST TEN YEARS |
|---|
| 98 |

| PROJECTED ANNUAL CHANGE IN NUMBER OF HOUSEHOLDS |
|---|
| -13 |

*Some household change may be attributed to a greater share of one-person households*

### ESTIMATED ANNUAL HOME BUYERS BY AGE

| AGE OF HHOLDER | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 TO 24 | 59 | 66 | 61 | 61 | 64 | 63 | 63 | 62 | 61 | 60 | 59 |
| 25 TO 34 | 476 | 529 | 491 | 485 | 513 | 508 | 501 | 494 | 487 | 479 | 471 |
| 35 TO 44 | 238 | 264 | 246 | 243 | 257 | 254 | 251 | 247 | 243 | 239 | 235 |
| 45 TO 54 | 178 | 198 | 184 | 182 | 192 | 190 | 188 | 185 | 182 | 180 | 176 |
| 55 TO 64 | 155 | 172 | 160 | 158 | 167 | 165 | 163 | 161 | 158 | 156 | 153 |
| 65 TO 74 | 59 | 66 | 61 | 61 | 64 | 63 | 63 | 62 | 61 | 60 | 59 |
| 75+ | 24 | 26 | 25 | 24 | 26 | 25 | 25 | 25 | 24 | 24 | 24 |
| TOTAL | 1,189 | 1,322 | 1,229 | 1,214 | 1,283 | 1,269 | 1,253 | 1,235 | 1,216 | 1,197 | 1,176 |

### ESTIMATED ANNUAL HOME BUYERS BY PROPERTY TYPE

| TYPE | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DETACHED | 987 | 1,097 | 1,020 | 1,007 | 1,065 | 1,053 | 1,040 | 1,025 | 1,010 | 993 | 976 |
| ROWHOUSE | 71 | 79 | 74 | 73 | 77 | 76 | 75 | 74 | 73 | 72 | 71 |
| CONDO (5+) | 12 | 13 | 12 | 12 | 13 | 13 | 13 | 12 | 12 | 12 | 12 |
| CONDO (2-4) | 48 | 53 | 49 | 49 | 51 | 51 | 50 | 49 | 49 | 48 | 47 |
| OTHER | 71 | 79 | 74 | 73 | 77 | 76 | 75 | 74 | 73 | 72 | 71 |

is an indicator that households that might otherwise be in the market to sell and move, are instead remaining in place. This can be due to lack of a suitable home to purchase, or concerns about the purchase price and high interest rates.

Projections for the housing market show increases in home ownership, and a decreasing demand for apartments. It is important to consider that these expected changes assume that there is an available supply of housing meeting the cost and other requirements of buyers or renters. As already noted, lower inventories, higher prices, and higher mortgage rates all appear to be forcing many potential buyers to continue to rent instead of purchase homes. The number of renters is therefore expected to be higher than those projected, especially at high income/rent levels. This could change if there is an increase in new home construction or a more active housing market.

Purchase price or rent threshholds are based on 35 percent of household income allocated to housing. In LaSalle County, 43 percent of households pay more than 35 percent of their monthly income in rent. This include 57 percent of households between 25 and 34 years old, and 48 of those over 65 years old.

The estimates clearly depict a shift in demand by age, with older cohorts making up a larger share of both buyers and renters. In the rental market, these older households will be more inclined to want one- and two-bedroom units with few maintenance requirements, on the ground level or in buildings with an elevator. Accessibility features may be a concern for some, and most want secure parking protected from the weather. The city has a large number of single family homes or duplexes in its rental inventory, which may not match the demands of an aging market.

There is some overlap between features desired by younger and older renters, such as a preference for covered parking and plentiful, convenient storage. Other apartment characteristics favored by young to middle-aged households include pet-friendly units (72 percent of renters have a pet), access to private outdoor space, and smart technology.

ESTIMATED ANNUAL HOME BUYERS BY HOME PURCHASE PRICE

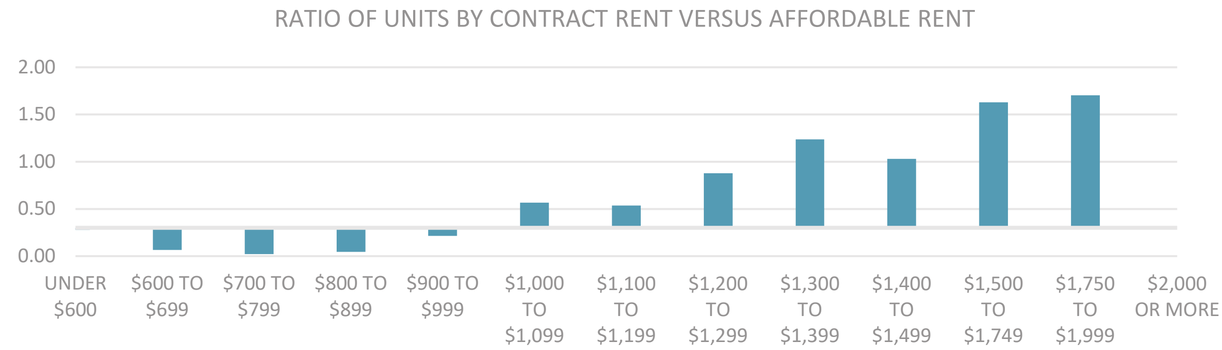
| PRICE RANGE: LOW/HIGH | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UNDER $100,000 | 257 | 285 | 265 | 262 | 277 | 274 | 270 | 267 | 263 | 258 | 254 |
| $100,000 TO $149,999 | 116 | 129 | 120 | 119 | 126 | 124 | 123 | 121 | 119 | 117 | 115 |
| $150,000 TO $199,999 | 123 | 136 | 127 | 125 | 132 | 131 | 129 | 127 | 125 | 123 | 121 |
| $200,000 TO $249,000 | 101 | 112 | 104 | 103 | 109 | 108 | 106 | 105 | 103 | 101 | 100 |
| $250,000 TO $299,999 | 138 | 154 | 143 | 141 | 149 | 148 | 146 | 144 | 141 | 139 | 137 |
| $300,000 TO $349,000 | 95 | 106 | 98 | 97 | 103 | 101 | 100 | 99 | 97 | 96 | 94 |
| $350,000 TO $399,999 | 83 | 93 | 86 | 85 | 90 | 89 | 88 | 87 | 85 | 84 | 82 |
| $400,000 TO $449,999 | 39 | 44 | 41 | 40 | 42 | 42 | 41 | 41 | 40 | 40 | 39 |
| $450,000 TO $499,999 | 44 | 49 | 45 | 45 | 47 | 47 | 46 | 46 | 45 | 44 | 44 |
| $500,000 OR MORE | 193 | 214 | 199 | 196 | 208 | 205 | 203 | 200 | 197 | 194 | 190 |

ESTIMATED ANNUAL RENTERS BY AGE

| AGE OF HHOLDER | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 TO 24 | 253 | 256 | 251 | 249 | 249 | 246 | 243 | 240 | 237 | 233 | 230 |
| 25 TO 34 | 752 | 768 | 749 | 742 | 751 | 749 | 748 | 746 | 743 | 740 | 737 |
| 35 TO 44 | 488 | 495 | 480 | 471 | 471 | 465 | 459 | 454 | 449 | 444 | 440 |
| 45 TO 54 | 293 | 300 | 297 | 298 | 304 | 306 | 307 | 308 | 309 | 308 | 308 |
| 55 TO 64 | 818 | 799 | 771 | 747 | 730 | 713 | 698 | 685 | 675 | 666 | 659 |
| 65 TO 74 | 741 | 749 | 751 | 751 | 749 | 743 | 735 | 725 | 714 | 701 | 689 |
| 75 TO 84 | 236 | 249 | 259 | 269 | 279 | 287 | 294 | 300 | 305 | 309 | 312 |
| 85+ | 140 | 148 | 158 | 169 | 180 | 193 | 205 | 218 | 231 | 244 | 256 |
| TOTAL | 3,722 | 3,763 | 3,717 | 3,696 | 3,713 | 3,702 | 3,689 | 3,676 | 3,661 | 3,646 | 3,630 |

ESTIMATED ANNUAL RENTERS BY MONTHLY RENT

| MONTHLY RENT | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UNDER $600 | 1,410 | 1,426 | 1,408 | 1,400 | 1,407 | 1,403 | 1,398 | 1,393 | 1,387 | 1,382 | 1,376 |
| $600 TO $699 | 122 | 123 | 122 | 121 | 122 | 121 | 121 | 120 | 120 | 120 | 119 |
| $700 TO $799 | 58 | 58 | 57 | 57 | 57 | 57 | 57 | 57 | 57 | 56 | 56 |
| $800 TO $899 | 50 | 50 | 50 | 50 | 50 | 50 | 49 | 49 | 49 | 49 | 49 |
| $900 TO $999 | 115 | 117 | 115 | 115 | 115 | 115 | 114 | 114 | 114 | 113 | 113 |
| $1,000 TO $1,099 | 93 | 94 | 93 | 92 | 93 | 93 | 92 | 92 | 92 | 91 | 91 |
| $1,100 TO $1,199 | 87 | 88 | 87 | 87 | 87 | 87 | 87 | 86 | 86 | 85 | 85 |
| $1,200 TO $1,299 | 149 | 151 | 149 | 148 | 149 | 149 | 148 | 148 | 147 | 146 | 146 |
| $1,300 TO $1,399 | 212 | 214 | 211 | 210 | 211 | 211 | 210 | 209 | 208 | 207 | 206 |
| $1,400 TO $1,499 | 175 | 177 | 175 | 174 | 175 | 174 | 174 | 173 | 172 | 172 | 171 |
| $1,500 TO $1,749 | 311 | 315 | 311 | 309 | 310 | 309 | 308 | 307 | 306 | 305 | 303 |
| $1,750 TO $1,999 | 325 | 329 | 325 | 323 | 324 | 323 | 322 | 321 | 320 | 319 | 317 |
| $2,000 OR MORE | 613 | 620 | 613 | 609 | 612 | 610 | 608 | 606 | 604 | 601 | 598 |




Many of the older rental properties in Ottawa or elsewhere in LaSalle County do not meet the preferences of either older or younger renters. Aside from single family homes or attached homes used as rentals, few units have covered parking. Few of any type of units are wired to accept smart technology.

The largest number of households can afford a monthly rent of no more than $600 without experiencing housing stress, but it is equally true that a similar number can afford at least $1,400 per month. Existing units are pretty well matched to what the market can afford. The analysis assumes a 30 percent annual turnover among renters. Up to a monthly rent of $1,000, there are more units in the marketplace than the number of households expected to be searching for a unit at that price. At monthly rents above $1,300 per month, there are more households in the market than the total number of units.

The short supply of higher-priced rental units is not necessarily a problem if the market is supplying more affordable units with the features that higher-cost renters want, and for which they are willing to pay. Features often desired by those able to pay higher rent include larger units, better-quality finishes and appliances, in-unit laundry, access to outdoor space, garage parking, and community amenities. Ottawa rentals are not mostly offering these features. Rentals in the community mostly consist of some older multi-tenant buildings, and rental homes, duplexes, or small apartment buildings.

**Outlook for upper-level downtown housing.** Existing downtown housing mostly consists of two types; either long-term units catering to a lower-income market, or newer units with high-end finishes at the upper end of the rental spectrum. Many of these latter types are being listed as short-term rentals. While meeting many desires of the upper-income market for unique design, modern infrastructure, and attractive finishes, they seldom offer the parking, storage, and outdoor space these renters value. Additionally, the need to ascend long stairways to the units will be unappealing to older households and some younger renters.

Units at the lower end of the rental range may not be sustainable over the long term, as maintenance can trigger the need for upgrades or the need to meet modern building codes, which can have costs that are prohibitively expensive for units unable to achieve higher rental rates. This can provide an impetus for conversion to modern units, or may lead to discontinued use of the building's upper levels.

Despite challenges, there is demand for traditional rentals on the upper-levels of downtown buildings, especially where some of the desired amenities can be provided. Over the long term, the demand will favor high-end units with attractive design features such as exposed brick, high ceilings, wood floors, and better-quality finishes and appliances. That demand will be more pronounced if the overall market continues to offer few competitive high-end rentals.

# DEMAND FOR UPPER-LEVEL SHORT-TERM RENTAL UNITS

Short-term rentals are not new, even within Ottawa, but they soared in popularity as online platforms made it easy to reach a large market. That access has led to an increase in market demand for rentals, a growing number of properties offered, and increased awareness of these units within the community.

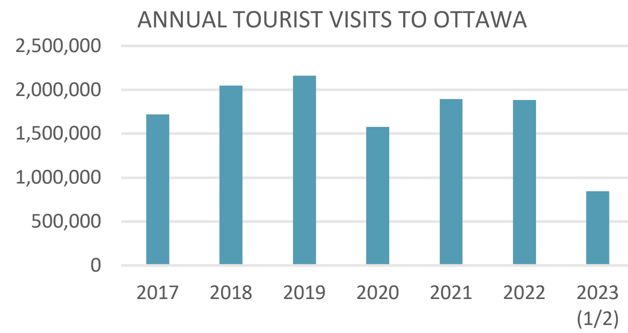
Recreational tourists and workers on contract assignments make up the significant sources of demand for short-term rentals, though some business travelers will also choose them over a hotel. The Ottawa area has several assets supporting a strong tourism sector, mostly based on outdoor recreation. It is unique in that there is also an extremely large number of contract workers creating demand for lodging.

Heritage Harbor is another unique asset in Ottawa. The community was designed with vacation properties in mind, both in the amenities built into the subdivision, and in its management program supporting property owners who want to offer their units as short-term rentals.

## Tourism in the Ottawa region

Starved Rock State Park and Matthiessen State Park are significant tourist destinations within ten miles of Ottawa. The Illinois River and Fox River are also important recreational assets bringing visitors to the city and surroundings. While these sites see large numbers of visitors, a fraction come into downtown Ottawa. The recent pandemic had an influence on those number, for while visits to outdoor destinations soared, there were fewer accompanying visits to nearby communities. restrictions, or concerns on the part of visitors, led many people to forego visiting restaurants, shops, and other businesses.

**Tourism patterns.** The recent decline in tourism is reflected in visitor counts derived from mobile phone tracking. Data was collected for visits to Ottawa from 2017 through the first half of 2023.

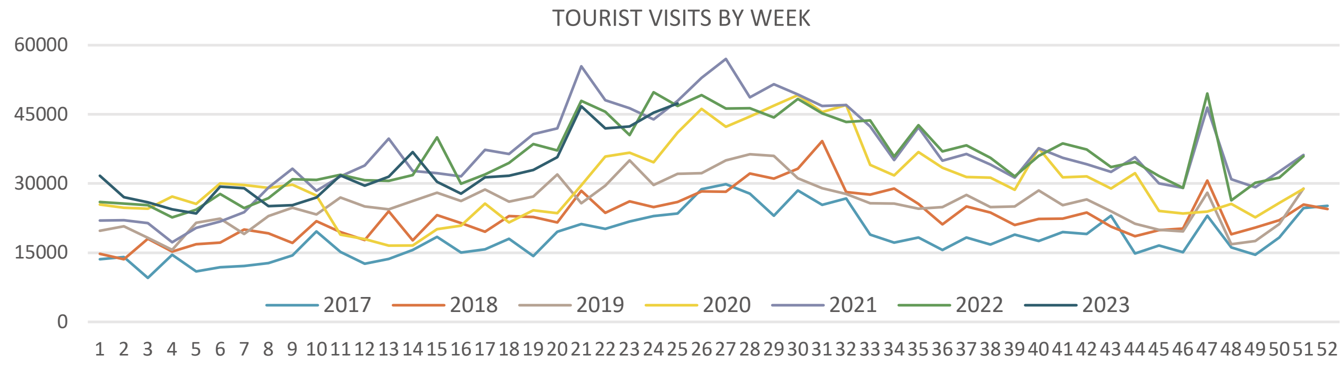



As a general guideline, anyone traveling more than 50 miles to a destination is considered a tourist. After rising for three years, tourist volume fell by about a quarter in 2020. It has risen again, but has yet to return to pre-pandemic levels.

Most visits are local, generated by people living within 50 miles. About 12.4 percent of visits are by people living from 50 to 100 miles from the city, while another 12.3 percent originate from over 100 miles. Only about three percent of tourists recorded in Ottawa made a visit to Starved Rock State Park immediately before or after spending time in Ottawa, although 12.6 percent of these tourists did visit the park at some point during the year, not necessarily at the same time as their visit to Ottawa.

Over time, tourism is becoming a much more important contributor to foot traffic in Ottawa. Visits by the "local" population are trending lower, with less frequent visits. The number of unique tourists visiting Ottawa has been increasing, even while they are making less frequent trips. The growth in the number of people making a single visit is consistent with the pattern set in the pandemic, as people had time to explore new places, or those to which they infrequently travel. The challenge for place like Ottawa is to convert these infrequent tourists into loyal visitors who return more frequently.

There is a summer crest in tourism, with a fall spike of 40-50,000 tourists weekly. Saturday, Friday, and Sunday are the top-ranked days for




tourist visits. There is an average of nearly 7,000 tourists in Ottawa on Friday and Saturday. Over five years, visits increased between 55 and 72 percent by day, with bigger gains on weekdays.

Tourists to the city closely resemble area residents in most aspects. They tend to be somewhat more racially diverse, with slightly higher income and education. There are a greater number of one-person households among tourists, and fewer married households.

**Overnight tourist segments.** Mobile tracking numbers consider everyone living more than 50 miles from the city a "tourist", although their number might include groups as varied as those merely stopping to get gas while passing through, to others staying a month or more. Data about their behavior makes it possible to examine a region and derive estimates of the number of visitors typically staying overnight.

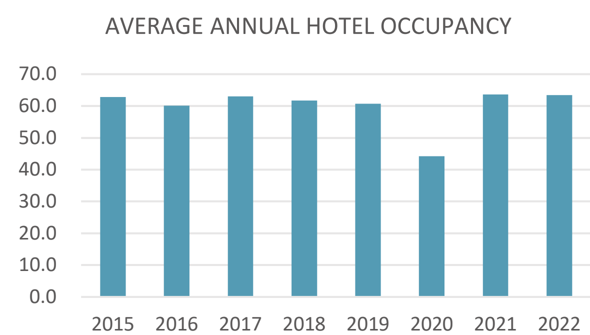
ESTIMATED DAILY OVERNIGHT VISITORS

| SEGMENT *Within…* | 10 MILES | 20 MILES |
|---|---|---|
| Domestic business travelers | 94 | 398 |
| Foreign business travelers | 1 | 5 |
| Leisure travelers in recreational veh. | 5 | 26 |
| Leisure travelers camping | 0 | 314 |
| Leisure travelers in 2nd home or rental | 173 | 302 |
| Leisure travelers with family/friend | 162 | 507 |
| Leisure travelers at hotels | 46 | 201 |
| Contract/migrant workers | 806 | 889 |

It is estimated that on average, there are 1,287 people staying overnight within ten miles of Ottawa. That doubles to 2,632 overnight visitors in a 20-mile radius. Contract or migrant workers make up the largest segment, numbering 806 on an average night, in just a ten-mile radius. This is an incredibly high number, compared to typical figures for a community the size of Ottawa. Migrant workers make up 55 percent of the overnight market.

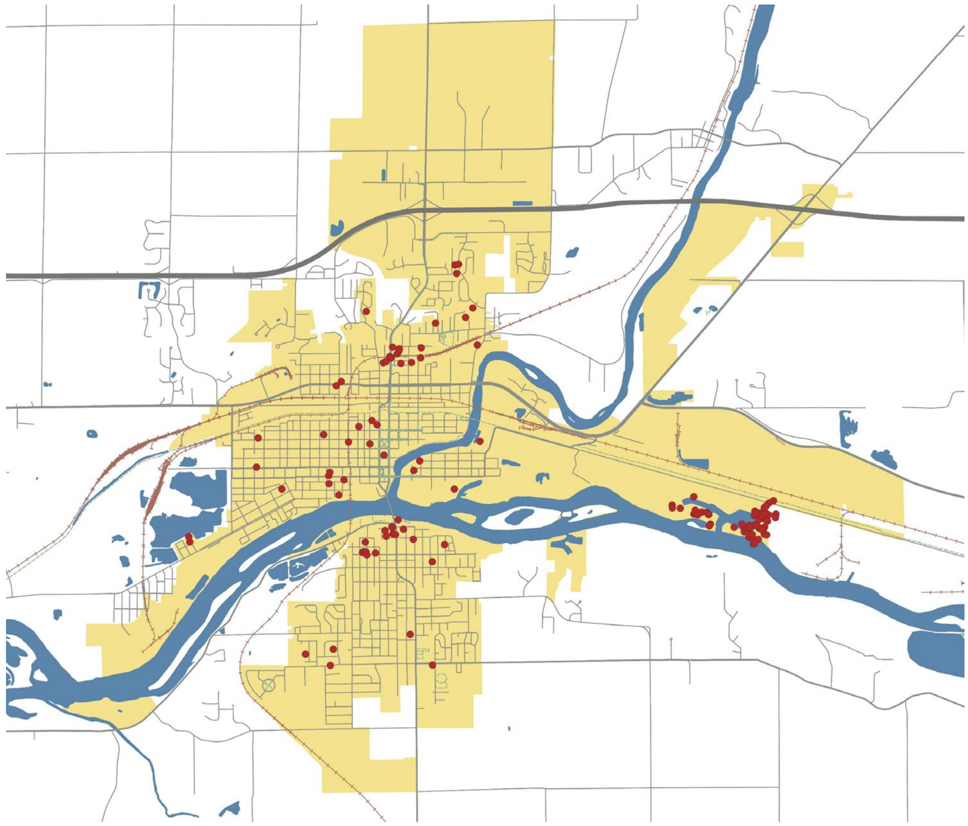
The number of leisure travelers staying at a second home or rental is also very high, numbering 173 on an average night.

**Hotel performance.** Hotel occupancy data was also reviewed to understand the overnight market. The data include most chain hotels within a 20-mile radius, including those in LaSalle-Peru, Streator, and smaller communities. Aside from 2020, occupancy has consistently been just above 60 percent, accounting for about 600 rooms per night. This is consistent with the estimates of 201 leisure travelers plus 398 domestic business travelers per night, derived through mobile device tracking. Local hotel occupancy has closely matched national figures.



Post-pandemic, occupancy has tended to be higher and there has been an increase in average daily rates, to an average of $109.21 for 2022. These increases suggest that the growing number of short-term rental units has not had a negative impact on local hotels. Sixteen hotels reporting data had a total of 1,010 available rooms.

LOCATIONS OF SHORT-TERM RENTAL UNITS IN THE CITY OF OTTAWA



## Short-term rentals

PriceLabs, a reporting service for the short-term rental industry, reported 350 active listings in the 365 days leading up to 19 September 2023, within a 15 mile radius around Ottawa. Occupancy averaged 48 percent with a $163 average daily rate. Occupancy and revenue have fallen slightly year-over-year, while the inventory of available rooms has increased by about 50 percent.

Of the 350 active listings in the region, 126 are located in the City of Ottawa. This is 36 percent of the total. Nearly half (59 units, or 47 percent) are at Heritage Harbor. Professionally-managed units, defined as a company managing ten or more units, make up 63 percent of all units in the city. There were 49 new listings added within Ottawa in the past twelve months. In total, short-term rentals make up 1.4 percent of the city's housing stock.

Pricing varies, with discounts offered for weekly and monthly stays. One bedroom units have the highest occupancy and earnings, averaging $38,050 per year.

SHORT-TERM RENTAL UNITS BY BEDROOMS

| UNIT TYPE | 15-MILES* | OTTAWA | PRICE** |
|---|---|---|---|
| Room only | 22 | 3 | $53 |
| Studio | 5 | 0 | $158 |
| 1 bedroom | 43 | 23 | $203 |
| 2 bedroom | 156 | 63 | $161 |
| 3 bedroom | 56 | 29 | $175 |
| 4 bedroom | 11 | 5 | $225 |
| 5 bedroom | 3 | 3 | $255 |
| | 296 | 126 | $179 |

** Units active on 19 September 2023*

*** Median booked nightly price*

SHORT-TERM RENTAL UNITS BY BEDROOMS

| UNIT TYPE | OCCUPANCY | RevPAR | ADR | REVENUE |
|---|---|---|---|---|
| Room only | 14% | $9 | $60 | $3,050 |
| Studio | 47% | $70 | $152 | $25,450 |
| 1 bedroom | 64% | $109 | $183 | $38,050 |
| 2 bedroom | 48% | $62 | $153 | $21,540 |
| 3+ bedroom | 51% | $93 | $206 | $32,160 |
| AVERAGE | 48% | $72 | $163 | $24,860 |

**Opportunity for short-term rentals.** Ottawa is a strong market for short-term rentals, with the great number of contract/migrant workers booking for extended periods, helping to raise occupancy levels. These lodgers tend to seek out small (one- or two-bedroom) units as they are often staying alone.

A reliable, though somewhat seasonal tourist market creates demand for shorter stays. The number of solo travelers or couples among these visitors is high, which suggests that they will also be interested in one- and two-bedroom units. Larger groups and families will gravitate toward homes with multiple bedrooms.

The typical configuration of smaller downtown buildings will easily accommodate one bedroom apartments, and some can be configured with two bedrooms. It is often difficult to create larger units, and the market demand for those units as short-term rentals will not be significant.

To make units more marketable, owners can capitalize on building features to create unique and attractive space. Recommended practices include:

- Restoring the building façade to its historic appearance.
- Capitalizing on interior features such as exposed brick, wood floors, high ceilings, large windows, and skylights.
- Using better-quality appliances and finishes such as stone countertops.
- Providing in-unit amenities such as laundry, dishwashers, smart home technology, and fireplaces (possibly electric).
- Permitting pets in units.

# BUSINESS CASE FOR UPPER-LEVEL INVESTMENT

The business case for upper-level investment in downtown Ottawa evaluates two options for converting upper-level space into apartments.

- Traditional rental units. This option considers remodeling, or purchasing and remodeling an existing downtown building, to create upscale rental apartments leased to residents.
- Short-term rental units. This option considers remodeling, or purchasing and remodeling an existing downtown building for short-term rental units.

In each scenario, proformas were constructed for a studio, one bedroom, and two-bedroom use case. This financial feasibility analysis is meant to illustrate typical conditions, and is intended to help inform decision-making concerning policies impacting the future development of upper-level residential apartments in downtown Ottawa.

## Assumptions and unit characteristics

Several assumptions must be made to evaluate the business case for rehabilitation in either scenario. Figures used in the analysis were guided by observations and market data. They were confirmed in discussions with City staff, property owners, and the development community.

**Floor area.** Studio units are assumed to be 450 square feet, one-bedroom units are assumed to be 600 square feet, and two-bedroom units are assumed to be 800 square feet.

**Build-out costs.** Based on feedback from City staff and downtown property owners and developers, assumed build out costs ranged from $100 per square foot to $250 per square foot. This is the assumed cost to bring an existing upper-level space into code compliance as a long-term rental, and would include all necessary electrical, plumbing, HVAC, and carpentry upgrades. To evaluate the feasibility of a purchase and redevelopment scenario, $300 and $400 per square foot scenarios were developed. Lending rates are assumed to be 6.0 percent, with a 75 percent loan-to-value requirement (25 percent equity and 75 percent bank financing).

**Monthly rents.** Long-term rental income estimates are based on a review of the rental market and feedback from downtown property owners and developers. Low and high estimates for each unit type were evaluated. Annual revenues assume a five percent vacancy factor.

UNIT TYPE AND BUILD-OUT COST

| COST PER SQUARE FOOT | UNIT TYPE AND FLOOR AREA | | |
|---|---|---|---|
| | STUDIO 400 sq ft | 1 BR 600 sq ft | 2 BR 800 sq ft |
| $100 | $45,000 | $60,000 | $80,000 |
| $150 | $67,500 | $90,000 | $120,000 |
| $200 | $90,000 | $120,000 | $160,000 |
| $250 | $112,500 | $150,000 | $200,000 |
| $300 | $135,000 | $180,000 | $240,000 |
| $400 | $180,000 | $240,000 | $320,000 |

REVENUE ASSUMPTIONS – TRADITIONAL UNITS

| UNIT TYPE | MONTHLY REVENUE | ANNUAL REVENUE |
|---|---|---|
| Studio (LOW) | $1,040 | $11,856 |
| Studio (HIGH) | $1,170 | $13,338 |
| 1 BR (LOW) | $1,300 | $14,820 |
| 1 BR (HIGH) | $1,430 | $16,302 |
| 2 BR (LOW) | $1,560 | $17,784 |
| 2 BR (HIGH) | $1,690 | $19,266 |

REVENUE ASSUMPTIONS – SHORT-TERM RENTALS

| UNIT TYPE | MONTHLY REVENUE | ANNUAL REVENUE |
|---|---|---|
| Studio | $2,121 | $25,450 |
| One bedroom | $3,167 | $38,000 |
| Two bedrooms | $1,795 | $21,540 |

Short-term rental income estimates are based on PriceLab's benchmarks for similar units in the Ottawa market.

**Expenses.** Short-term rental operators typically incur additional expenses compared to owners entering into traditional (usually annual) rental leases. Additional expenses include utilities, cleaning fees, liability insurance, higher property management fees, and licenses.

Utilities are estimated to range from $200 per month for a studio to $260 per month for a two-bedroom apartment, and include electricity, gas, water, waste and recycling, and internet.

Maintenance and repairs are estimated to be $1.00 per square foot per year for both the traditional rental and short-term rental scenarios

Cleaning fees are a major expense category for short-term rentals. Cleaning fee estimates range from $300 per month for a studio to $600 per month for a two-bedroom unit, and are based on PriceLab's data and local market conditions.

In addition to cleaning fees, short-term rentals incur lodging taxes and fees including guest service fees (twelve percent) and host service fees (three percent). These fees are typically charged by online travel agents, such as Airbnb or VRBO, as a percentage of gross revenues. Lodging taxes (five percent) are also collected and remitted to the appropriate local taxing jurisdiction. Total estimated fees and occupancy taxes range from $8,690 per year for a studio unit to $14,800 for a one-bedroom apartment.

Future building improvements were not factored into the analysis. It is assumed there will be few significant capital requirements in the first several years following major remodeling.

Liability insurance for short-term rentals is estimated at $2,000 per policy based on national averages. However, the policy may cover multiple upper floor short term rental units in a smaller building. For this analysis it is assumed there are three units per building, and therefore the cost per unit is estimated to be $667 per year.

EXPENSES INCURRED
TRADITIONAL vs. SHORT-TERM RENTAL

| UNIT TYPE | TRADITIONAL RENTAL | SHORT TERM RENTAL |
|---|---|---|
| Utilities | | X |
| Repairs and maintenance | X | X |
| Cleaning fees | | X |
| Lodging taxes and fees | | X |
| Building improvements | X | X |
| Liability insurance | | X |
| Property insurance | X | X |
| Property taxes | X | X |
| Property management fees | X | X |
| Furnishings | | |
| License fees | | X |

MONTHLY UTILITY EXPENSES

| UNIT TYPE | STUDIO | 1 BR | 2 BR |
|---|---|---|---|
| Electric/gas | $75 | $100 | $125 |
| Water | $25 | $30 | $35 |
| Waste | 25 | 25 | 25 |
| Internet | 75 | 75 | 75 |
| TOTAL | $200 | $230 | $260 |

CLEANING FEES

| UNIT TYPE | CLEANING FEE | AVG. TURNS PER MONTH | MONTHLY TOTAL |
|---|---|---|---|
| Studio | $50 | 6 | $300 |
| 1 bedroom | $75 | 8 | $600 |
| 2 bedroom | $100 | 6 | $600 |
| AVERAGE | $75 | 7 | $500 |

ANNUAL TAXES AND FEES

| | STUDIO | 1 BR | 2 BR |
|---|---|---|---|
| Guest service fee (12%) | $3,054 | $4,560 | $2,585 |
| Occupancy taxes (5%) | $1,273 | $1,900 | $1,077 |
| Host service fee (3%) | $764 | $1,140 | $646 |
| TOTAL | $5,090 | $7,600 | $4,308 |

Property taxes apply to both options. The tax rate is estimated at 3.6 percent of building value, or total build-out cost. The property tax calculation also assumes a 33 percent local assessment ratio (assessed value to full market value).

Property management fees are estimated to be 30 percent of gross revenue for short-term rentals, and typically include cleaning fees and sundries such as paper products. Management fees for long-term rentals are estimated at ten percent. These are consistent with national benchmarks.

Furnishing costs for short-term rental units are highly variable. This study assumes furnishings are included in the build-out cost per square foot.

License fees would be assessed by the local municipality and are assumed to be $200 per unit per year for short-term rentals only.

## Summary Analysis and Simple Ratios

Development summaries were prepared for the traditional and short-term rental options, assuming build out costs between $100 and $400 per square foot.

Net operating income (NOI) is annual effective gross revenue (accounting for vacancy) less total annual expenses.

SUMMARY ANALYSIS AND SIMPLE RATIOS

| | $100/SF REMODEL | | | $150/SF REMODEL | | |
|---|---|---|---|---|---|---|
| STUDIO | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $1,040 | $1,170 | $2,121 | $1,040 | $1,170 | $2,121 |
| ANNUAL REVENUE | $11,856 | $13,338 | $25,452 | $11,856 | $13,338 | $25,452 |
| ANNUAL EXPENSES | -$1,323 | -$1,323 | -$17,315 | -$1,593 | -$1,593 | -$17,585 |
| NOI | $10,533 | $12,015 | $8,137 | $10,263 | $11,745 | $7,867 |
| DEBT SERVICE | -$2,942 | -$2,942 | -$2,942 | -$4,414 | -$4,414 | -$4,414 |
| FREE CASH FLOW | $7,591 | $9,073 | $5,195 | $5,849 | $7,331 | $3,453 |
| DSCR (MIN) | 3.58 | 4.08 | 2.77 | 2.33 | 2.66 | 1.78 |
| CASH ON CASH (YR 1) | 67.5% | 80.6% | 46.2% | 34.7% | 43.4% | 20.5% |
| 1 BEDROOM | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $ 1,300 | $ 1,430 | 3,167 | $ 1,300 | $ 1,430 | $ 3,167 |
| ANNUAL REVENUE | $14,820 | $16,302 | $38,004 | $14,820 | $16,302 | $38,004 |
| ANNUAL EXPENSES | -$1,653 | -$1,653 | -$24,130 | -$2,013 | -$2,013 | -$24,490 |
| NOI | $10,533 | $12,015 | $13,874 | $12,807 | $14,289 | $13,514 |
| DEBT SERVICE | -$2,942 | -$2,942 | -$3,923 | -$5,885 | -$5,885 | -$5,885 |
| FREE CASH FLOW | $7,591 | $9,073 | $9,951 | $6,922 | $8,404 | $7,629 |
| DSCR (MIN) | 3.58 | 4.08 | 3.54 | 2.18 | 2.43 | 2.30 |
| CASH ON CASH (YR 1) | 67.5% | 80.6% | 66.3% | 30.8% | 37.4% | 33.9% |
| 2 BEDROOM | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $1,560 | $1,690 | $1,795 | $1,560 | $1,690 | $1,795 |
| ANNUAL REVENUE | $17,784 | $19,266 | $21,540 | $17,784 | $19,266 | $21,540 |
| ANNUAL EXPENSES | -$2,093 | -$2,093 | -$16,850 | -$2,573 | -$2,573 | -$17,330 |
| NOI | $15,691 | $17,173 | $4,690 | $15,211 | $16,693 | -$3,637 |
| DEBT SERVICE | -$5,231 | -$5,231 | -$5,231 | -$7,847 | -$7,847 | -$7,847 |
| FREE CASH FLOW | $10,460 | $11,942 | -$541 | $7,364 | $8,846 | -$3,637 |
| DSCR (MIN) | 3.00 | 3.28 | 0.90 | 1.94 | 2.13 | 0.54 |
| CASH ON CASH (YR 1) | 52.3% | 59.7% | -2.7% | 24.5% | 29.5% | -12.1% |

Debt service represents the annual cost of financing, including principal and interest payments.

Free cash flow is calculated by subtracting debt service payments from net operating income.

Cash-on-cash return is of concern for project managers and equity investors. It indicates the periodic return on equity. It is calculated as free cash flow divided by total equity. It is the main metric utilized in smaller projects and projects which are self-financed.

Debt service coverage ratio (DSCR) is a metric used by lenders to determine the "coverage" of total debt payment by the project's net operating income. Many lenders will require a DSCR of 1.2 or higher. The debt service coverage ratio is calculated as NOI divided by debt service.

As one would expect, the economic viability of converting upper floor space to long-term or short-term rentals is highly dependent on initial build-out costs. Build-out costs between $100 and $150 per square foot support a positive return on investment, with the exception of two-bedroom short-term rental units generating revenues on par with current market conditions. However, it is likely that the assumed two-bedroom short-term rental revenue rate is low, and that a two-bedroom downtown short-term rental would

SUMMARY ANALYSIS AND SIMPLE RATIOS

| | $200/SF REMODEL | | | $250/SF REMODEL | | |
|---|---|---|---|---|---|---|
| STUDIO | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $1,040 | $1,170 | $2,121 | $1,040 | $1,170 | $2,121 |
| ANNUAL REVENUE | $11,856 | $13,338 | $25,452 | $11,856 | $13,338 | $25,452 |
| ANNUAL EXPENSES | -$1,863 | -$1,863 | -$17,855 | -$2,133 | -$2,133 | -$18,125 |
| NOI | $9,993 | $9,126 | $7,597 | $9,723 | $11,205 | $22,425 |
| DEBT SERVICE | -$5,885 | -$5,885 | -$5,885 | -$7,356 | -$7,356 | -$7,356 |
| FREE CASH FLOW | $2,077 | $5,590 | $1,712 | $2,367 | $3,849 | -$29 |
| DSCR (MIN) | 1.70 | 1.95 | 1.29 | 1.32 | 1.52 | -0.10 |
| CASH ON CASH (YR 1) | 67.5% | 80.6% | 46.2% | 34.7% | 43.4% | -20.5% |
| 1 BEDROOM | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $ 1,300 | $ 1,430 | 3,167 | $ 1,300 | $ 1,430 | $ 3,167 |
| ANNUAL REVENUE | $14,820 | $16,302 | $38,004 | $14,820 | $16,302 | $38,004 |
| ANNUAL EXPENSES | -$2,373 | -$2,373 | -$24,850 | -$2,733 | -$2,733 | -$25,360 |
| NOI | $12,447 | $13,928 | $13,154 | $12,807 | $13,569 | $12,644 |
| DEBT SERVICE | -$7,847 | -$7,847 | -$7,847 | -$9,808 | -$9,808 | -$9,808 |
| FREE CASH FLOW | $4,600 | $6,082 | $5,307 | $2,279 | $3,849 | $2,836 |
| DSCR (MIN) | 1.59 | 1.78 | 1.68 | 1.23 | 1.38 | 1.29 |
| CASH ON CASH (YR 1) | 15.3% | 20.3% | 17.7% | 6.1% | 10.0% | 7.6% |
| 2 BEDROOM | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $1,560 | $1,690 | $1,795 | $1,560 | $1,690 | $1,795 |
| ANNUAL REVENUE | $17,784 | $19,266 | $21,540 | $17,784 | $19,266 | $21,540 |
| ANNUAL EXPENSES | -$3,053 | -$3,053 | -$17,810 | -$3,533 | -$3,533 | -$17,240 |
| NOI | $13,929 | $16,213 | $3,730 | $14,251 | $15,733 | -$4,300 |
| DEBT SERVICE | -$10,462 | -$10,462 | -$10,462 | -$10,462 | -$10,462 | -$10,462 |
| FREE CASH FLOW | $4,269 | $5,751 | -$6,732 | $1,173 | $2,655 | -$6,162 |
| DSCR (MIN) | 1.41 | 1.55 | 0.36 | 2.35 | 1.20 | 0.58 |
| CASH ON CASH (YR 1) | 10.7% | 14.4% | -16.8% | 2.3% | 5.3% | -10.9% |

perform on par or better than a one-bedroom short-term rental.

Traditional rentals appear to perform significantly better than short-term rentals, in particular when comparing studio and two-bedroom scenarios. The highest rates of return were for the higher priced studio and one-bedroom traditional rentals, both generating cash-on-cash returns in excess of 80 percent.

Looking at build-out costs of $200 to $250 per square foot, the traditional studio rentals also perform well, with cash-on-cash returns ranging from 2.3 percent for the lower-priced two-bedroom apartments to 24.8 percent for the higher-priced studio apartments.

At this level of construction cost, short-term rentals generating positive cash-on-cash returns are limited to one-bedroom units (7.6 percent).

The $300 to $400 per square foot build-out scenario is intended to reflect a purchase and renovation scenario. It does not appear to be economically viable without outside subsidies. The only positive returns are quite modest, ranging from 1.1 percent for a one-bedroom short-term rental to 6.2 percent for the higher-priced studio rental.

SUMMARY ANALYSIS AND SIMPLE RATIOS

| | $300/SF REMODEL | | | $400/SF REMODEL | | |
|---|---|---|---|---|---|---|
| STUDIO | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $1,040 | $1,170 | $2,121 | $1,040 | $1,170 | $2,121 |
| ANNUAL REVENUE | $11,856 | $13,338 | $25,452 | $11,856 | $13,338 | $25,452 |
| ANNUAL EXPENSES | -$2,403 | -$2,403 | -$5,470 | -$2,943 | -$2,943 | -$18,935 |
| NOI | $9,453 | $9,453 | $7,057 | $8,913 | $10,395 | $6,517 |
| DEBT SERVICE | -$8,827 | -$8,827 | -$8,827 | -$11,770 | -$11,770 | -$11,770 |
| FREE CASH FLOW | $626 | $2,108 | -$1,770 | $-2,857 | -$1,375 | -$5,253 |
| DSCR (MIN) | 1.07 | 1.24 | 0.80 | 0.76 | 0.88 | 0.55 |
| CASH ON CASH (YR 1) | 1.9% | 6.2% | -5.2% | -6.3% | -3.1% | -11.7% |
| 1 BEDROOM | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $ 1,300 | $ 1,430 | 3,167 | $ 1,300 | $ 1,430 | $ 3,167 |
| ANNUAL REVENUE | $14,820 | $16,302 | $38,004 | $14,820 | $16,302 | $38,004 |
| ANNUAL EXPENSES | -$3,093 | -$3,093 | -$25,720 | -$3,813 | -$3,813 | -$26,440 |
| NOI | $11,727 | $13,209 | $12,284 | $11,007 | $12,489 | $11,564 |
| DEBT SERVICE | -$11,770 | -$11,770 | -$11,770 | -$15,693 | -$15,693 | -$15,693 |
| FREE CASH FLOW | -$43 | $1,439 | $514 | -$4,686 | -$3,204 | -$4,129 |
| DSCR (MIN) | 1.00 | 1.12 | 1.04 | 0.70 | 0.80 | 0.74 |
| CASH ON CASH (YR 1) | -0.10% | 3.2% | 1.1% | -7.8% | -5.3% | -6.9% |
| 2 BEDROOM | TRADITIONAL | | STR | TRADITIONAL | | STR |
| MONTHLY RENT | $1,560 | $1,690 | $1,795 | $1,560 | $1,690 | $1,795 |
| ANNUAL REVENUE | $17,784 | $19,266 | $21,540 | $17,784 | $19,266 | $21,540 |
| ANNUAL EXPENSES | -$4,013 | -$4,013 | -$18,770 | -$4,973 | -$4,973 | -$19,730 |
| NOI | $13,771 | $15,253 | $2,770 | $12,811 | $14,293 | -$1,810 |
| DEBT SERVICE | -$15,693 | -$15,693 | -$15,693 | -$20,924 | -$20,924 | -$20,924 |
| FREE CASH FLOW | -$1,922 | -$440 | -$12,923 | -$8,113 | -$6,631 | -$19,114 |
| DSCR (MIN) | 0.88 | 0.97 | 0.18 | 0.61 | 0.68 | 0.09 |
| CASH ON CASH (YR 1) | -3.2% | -0.70% | -12.5% | -10.1% | -8.3% | -23.9% |

Short-term rentals are filling a critical role in supporting the unusually large contract workforce in the region. In doing so, they are contributing to economic development, helping to alleviate workforce shortages, and mitigating impacts to traditional housing in the city and region. The large share of units rented by workers, whose stays are considerably longer than the typical leisure traveler, also translate into an atypical pattern of community impacts. The two types of stays – typical leisure travelers and longer-term worker stays – are considered separately in answering the questions typically posed of short-term rental impacts to communities:

- Do short-term rentals increase visitor travel to Ottawa?
- Do short-term rentals simply displace visitors who might otherwise stay in area hotels?
- Do short-term rentals generate income and create local wealth?
- Do short-term rentals contribute to the vitality of the downtown district?
- Do short-term rentals contribute to job growth?
- Do short-term rentals have an impact on City tax collections?
- Do short-term rentals impact the housing supply and cost of housing in Ottawa?

## Expected patterns of development

The downtown inventory compiled at the end of 2023 found 33 buildings with vacant upper levels, including some that had previously been used for apartments but were long vacant. Buildings undergoing renovation at the time were not considered vacant for this analysis. There was nearly 100,000 square feet of space on the second level of buildings with unused space, and about 10,000 square feet on the third level of three of these buildings.

In 2022 the average apartment measured 887 square feet, with 464 square feet for a studio, 727 square feet for a one-bedroom, and 1,097 square feet for a two-bedroom apartment. Determining the potential number of units that can be built in Ottawa's downtown space is not as simple as dividing the total available space by a unit size. These buildings present significant constraints, the most severe of which is the lack of exterior walls to let in light and offer emergency egress. A building with 20 feet of frontage is going to permit only one apartment on that frontage, and perhaps a second on the rear façade if there is one. If there is a need to provide two internal stairways along with a hall, that may further reduce the number of units that can be fit within a small building envelope. Large buildings can be just as difficult, if the center is too far from an exterior wall to be usable as residential space. Structural issues or potential impacts to storefront space may also preclude upper floor residential development, and commercial uses may be preferred in some cases.

Perhaps two-thirds of the buildings with vacant upper levels have the potential to develop upper level residential units. These buildings have a combined floor area of about 56,000 square feet. If all of this space were to be built out, it would likely yield a total of about 50 units. The relative split between traditional apartments (or owner residences) and short-term rentals is likely to fluctuate constantly based on market conditions.

**Property investment.** Recent upper-level apartment projects have reported redevelopment costs ranging from around $200 to as much as $400 per square foot, though most were closer to the lower figure. A 2,000 square foot space divided to create two apartment might therefore incur $400,000 in expenses. Most industry professionals will agree that the entire cost is not realized through an increase in the building's value. While many sources recommend targeting a 70 percent return, measured as the increased valuation of a residential building after renovation, the average has been reported as 56 percent. This suggests the market value of the building would increase by $224,000 (targeting a $280,000 increase), or $112 per square foot (targeting $135). This estimate was confirmed through discussions with the LaSalle County Assessor's Office, which provided a ballpark figure of $30 to $40 per square foot in increased assessed value. Since properties are assessed at 33 percent, this translates to $90 to $120 per square foot. Assessed values are typically less than current market value.

The total private investment expected to convert 56,000 square feet of vacant upper floor space to quality residential units would range from $11.2 to $22.4 million. There is no difference in valuation between units used as traditional rentals or short-term rentals.

**Real estate taxes.** New property taxes generated through the creation of upper-level apartments will be based on the increase in the building's assessed value after renovation. This can be estimated using the $30 to $40 per square foot increment suggested by the County Assessor's Office. If the entire 56,000 square feet of more easily-redeveloped upper-level space were converted, it would result in $1,680,000 to $2,240,000 in increased assessed value.

In 2023, the average property tax paid in Ottawa was 3.18 percent of assessed value. Using this figure (the actual rate will change annually), the net increase in property taxes generated through second floor apartment renovations would be expected to total $53,400 to $71,200 per year.

**Resident demographics.** Until recently, upper-level residential units in the downtown could be characterized as small, antiquated or obsolete, and catering to low-income tenants. Most of the recent units created or remodeled have pursued the opposite market, creating distinctive spaces attracting tenants able to pay rents at the top of the local market. This change has yet to be captured in any of the conventional sources of demographic data. Even then, the construction of Anthony Place is likely to skew the aggregate picture of downtown to that of an older, lower-income neighborhood.

Characteristics of the upper-level units will play a significant role in defining the demographics of those choosing to live in them. The preponderance of one-bedroom, with some two-bedroom units will favor singles and couples over family households. The requirement to use stairs to access units will dissuade many older renters from renting these units. Rent levels are a final factor. New downtown units currently listed include a one-bedroom apartment at $1,700 per month and a two-bedroom apartment at $3,000 per month. Using a figure of 30 percent of income devoted to housing, the households renting these units would be expected to have annual earnings of $68,000, which is approximately the median income of all households in Ottawa, to $120,000. The median income of home *owners* in the city is $81,010.

**Resident spending.** Spending by residents of newly-created units can be estimated using the U.S. Bureau of Labor Statistics' annual Consumer Expenditure Survey. The most recent data was compiled for 2022. Several tables are available to document household spending based on different demographic attributes. Spending by two-person households was used as best fitting the renters expected in new downtown apartments.

The average two-person household has earnings of $99,957 and spends $76,468 annually. Shelter and transportation are the largest shares, accounting for 35.3 percent of the total. Food away from home (generally purchased at restaurants), alcohol, and entertainment are three categories of spending that downtown businesses may be positioned to capture. The average household spends $8,284 in these three categories.

**Short-term rental occupancy and revenue.** The future performance of short-term rentals is

ANNUAL SPENDING BY TWO-PERSON HOUSEHOLDS

| | |
|---|---|
| Annual income | $99,957 |
| Annual spending | $76,468 |

| | |
|---|---|
| Food at home | $5,635 |
| Food away from home | $3,728 |
| Alcohol | $717 |
| Shelter | $14,533 |
| Utilities, fuels, and public services | $4,679 |
| Household operations | $1,645 |
| Household supplies | $862 |
| Household furnishings and equipment | $2,809 |
| Apparel and services | $1,798 |
| Transportation | $12,452 |
| Healthcare | $6,878 |
| Entertainment | $3,839 |
| Personal care products and services | $916 |
| Reading | $134 |
| Education | $1,136 |
| Tobacco products | $400 |
| Miscellaneous | $1,148 |
| Cash Contributions | $4,165 |
| Personal insurance and pensions | $8,996 |

dependent upon many factors including growth in the market, changes in the inventory of available rooms, competition from other sources, and economic conditions.

Overall, the U.S. travel industry has averaged about a three percent annual growth rate, and it would be reasonable to project continued expansion at that pace. If that rate were applied to the supply of available short-term rental units and the average daily rate, the City may expect an increase of 20 short-term rental units in the next five years. This would take the total from 126 currently to 146 by 2028. The average daily rate would increase from $72.00 at present, to 83.47 in 2028.

**Visitor spending.** According to travel research conducted for the State of Illinois, the typical leisure visit to "downstate" destinations lasts 1.68 days, includes 2.3 persons, and generates direct spending of $131 per person per day. This is allocated between transportation (44 percent), food and beverage (21 percent), lodging (18 percent), recreation and entertainment (9 percent), and retail (8 percent). Those averages are based on all travel, mixing day trips with overnight stays, and including costs such as airfare that are not applicable to most travel to Ottawa. To illustrate the point, these figures would suggest that a typical travel party staying two nights in a short-term rental (or hotel room) would spend $753 overall, with $136 for lodging, and $331 on transportation. An alternative approach can be considered:

- Overnight stays at most short-term rentals require a minimum two-night commitment. At the current average daily rate of $72 per night (not including fees and taxes), that would total $144 for a two-person travel party.
- American Express estimates food expenditures on domestic trips at $33 per person per day, split between $27 at restaurants and $6 for self-prepared foods. Two people, in two days, would be expected to spend $24 on food they prepare themselves, and $104 at restaurants.
- Nearly all visitors to Ottawa travel by car, and two-thirds originate less than 250 miles from the city, with half coming fewer than 100 miles. Many of those coming a greater distance are traveling through the area on Interstate 80. If the typical visitor drives 300 miles during the trip, including travel to, from, and within the area, the cost could be estimated at $201 using the $0.67 federal mileage reimbursement rate.
- If spending on recreation, entertainment, and retail are estimated at 17 percent of the total, it would be $97 overall, or $24 per person per day.

This approach results in a revised estimate of $570 in spending per short-term rental stay, with

FIVE-YEAR SHORT-TERM RENTAL GROWTH PROJECTION

| YEAR | TOTAL STR UNITS | ANNUAL DEMAND | AVG. DAILY RATE | AGGREGATE REVENUE | HOTEL TAXES | ANNUAL TRIPS | TRIP SPENDING | ECONOMIC IMPACT |
|---|---|---|---|---|---|---|---|---|
| 2023 | 126 | 22,075 | $72 | $1,589,414 | $79,471 | 11,038 | $570 | $9,437,148 |
| 2024 | 130 | 22,737 | $74 | $1,686,210 | $84,310 | 11,369 | $587 | $10,011,870 |
| 2025 | 134 | 23,420 | $76 | $1,788,900 | $89,445 | 11,710 | $605 | $10,621,593 |
| 2026 | 138 | 24,122 | $79 | $1,897,844 | $94,892 | 12,061 | $623 | $11,268,448 |
| 2027 | 142 | 24,846 | $81 | $2,013,423 | $100,671 | 12,423 | $642 | $11,954,697 |
| 2028 | 146 | 25,591 | $83 | $2,136,040 | $106,802 | 12,796 | $661 | $12,682,738 |

the typical stay including two people staying two nights.

A tourism multiplier of 1.5-1.6 captures direct, indirect, and induced spending. Direct expenditures are the initial purchases of goods and services by the visitor. Indirect spending and induced spending capture a second and third round of spending as businesses make purchases and pay wages to provide goods and services, or pay taxes, and employees spend earnings. The $570 in direct spending associated with a trip, then, generates $855 in total economic impact.

Not all of the economic impact associated with short-term rental stays will be realized within Ottawa. Visitors may spend elsewhere, purchasing gas and food en route, dining at restaurants outside of the city, and making purchases elsewhere. Similarly, businesses will purchase goods and services from elsewhere, and employees may not live in the city. The "economic impact" should be thought of as the potential market for which the City and its businesses are competing.

**Sales taxes.** Ottawa has a 7.0 percent total sales tax rate, made up of a 6.25 percent state tax, 0.25 percent county tax, and 0.5 percent city tax. The rate on groceries and drugs is 1.0 percent. The City of Ottawa will only capture sales tax on purchases made within the city, so it is necessary to estimate what trip-related purchases may be made elsewhere.

- Transportation, using a milage rate for calculation, includes auto parts and services that will generally not be obtained in the city. This leaves fuel costs which might be captured anywhere along the route to or from the area. A capture rate of 33 percent was applied to account for these losses.
- Visitors may bring groceries from home or may pick them up en route, even including purchases made at gas stations. Mobile device tracking data, however, doe indicate a large number of visitor trips to Walmart. It is estimated that about half of grocery purchases may be made locally.
- Ottawa does have the largest concentration of restaurants in the immediate area, and visitors staying in

ESTIMATE OF SALES 2024 SALES TAX CAPTURE FROM SHORT-TERM RENTAL STAYS

| SPENDING CATEGORY | AMOUNT SPENT | CAPTURE RATE | CITY SALES | TAX RATE | TAXES GENERATED |
|---|---|---|---|---|---|
| Transportation | $2,353,724 | 33% | $776,729 | 7% | $54,371 |
| Groceries | $281,042 | 50% | $140,521 | 1% | $1,405 |
| Dining | $1,217,847 | 67% | $815,958 | 7% | $57,117 |
| Retail and entertainment | $1,135,877 | 50% | $567,938 | 7% | $39,756 |
| TOTALS | $4,988,490 | | $2,301,146 | | $152,649 |

short-term rental units in the city are less likely to travel elsewhere to dine. A capture rate of 67 percent was used in this case.

- Retail purchases may also occur en route, or elsewhere during the trip. As an example, souvenir purchases at Starved Rock State Park could account for a large part of the total. Half of all purchases were estimated to be captured within the city.

Almost $5 million will be spent on trips by short-term rental visitors on transportation, groceries, dining, and retail and entertainment in 2024. It is estimated that about $2.3 million of this sum will be spent within Ottawa, generating $152,649 in sales taxes.

**Hotel operator's taxes.** It is Ottawa's intent to levy the current five percent hotel operator's tax on stays at short-term rental properties. These taxes are estimated to have totaled $79,471 using annual figures for 2023. With three percent annual growth in rooms and daily rates, the projected revenue generated through the tax will grow to $106,802 in five years.

## Community impact

Similar reviews of short-term rentals tend to identify a handful of questions regarding how they may impact their host communities. These are addressed below.

**Do short-term rentals increase visitor travel to Ottawa?**

This question is usually discussed through a term called induced demand. Induced demand is the demand for rooms generated by the presence of the room. In the broader lodging industry, it is easy to understand that a conference hotel may create demand for rooms by virtue of events held at its facilities. Induced demand might also be created where guests may have a preference to stay at a particular hotel brand. Aside from novel venues, such induced demand is less common with short-term rentals. At a market level, guests may choose to stay at units with unique characteristics, but that choice is already preceded by the decision to visit the area. Some guests may opt for a downtown stay, while others may prefer a cabin in the woods.

**Do short-term rentals simply displace visitors who might otherwise stay in area hotels?**

Airbnb started in 2008, but there have been short-term rentals (vacation rentals) in Ottawa and the surrounding area for decades. The advent of platforms like Airbnb made it easier for people to market to potential lodgers, leading to more people making their property available for rental. Some of these properties were homes already owned as vacation homes. Between 2010 and 2023, the American Community Survey reports the number of vacant homes listed for seasonal or vacation use dropped from 120 to 40, perhaps indicating a shift in status to rental properties.

Short-term rentals cater to a different market than hotels. They offer families a more affordable and efficient way to vacation, while others enjoy the unique character and setting some units can offer, which is distinctly different than chain hotels. Migrant workers (such as traveling health care professionals, power company engineers, etc.) appreciate a home-like environment for extended stays. Some of these guests would turn to hotels if no other option were available, but portion of the market would chose to travel elsewhere if they could not find the lodging they preferred.

**Do short-term rentals generate income and create local wealth?**

Short-term rentals are generating local wealth in three ways. The first is when revenue from stays is captured by local owners of rental properties. The second is through purchases of goods and services, and wages paid, in support of the rental units. The final means is through spending by visitors at local businesses.

### Do short-term rentals contribute to the vitality of the downtown district?

There are three ways in which conversion of vacant upper-level space in downtown buildings appears to be supporting the district's vitality.

- The market for short-term rental units is spurring owners to invest in extensive, rather than simply cosmetic or necessary improvements to buildings. Revenue from the units is improving building cash flow, which can help to support the commercial uses in the building as well.
- Overnight visitors are customers for downtown businesses. This is especially true for restaurants in the district.
- The downtown is being positioned as an entertainment district, even before constructing the waterfront amphitheater. Units in close proximity to these events will play a role in their success.

### Do short-term rentals contribute to job growth?

The Ottawa area has an unusually large demand for migrant, or contract workers who need to live for weeks or months in the area, but not so long as to enter into an annual lease. Short-term rentals are playing a critical role in meeting the housing needs of these workers, who are in turn essential to supporting their employers and the economic vitality of the region. Without short-term rentals, the need to house these temporary worker would add significantly to regional housing challenges, and could exacerbate workforce shortages.

As an industry, short-term rentals have modest impacts on regional employment. Their construction within renovated downtown buildings supports short-term creation of jobs in construction. Over an extended period, units contribute incrementally to demand for ongoing services in property management and marketing, maintenance, housekeeping, and similar services.

### Do short-term rentals have an impact on City tax collections?

Short-term rentals generate tax revenue for the city through real estate taxes paid on the units, and through the sales and hotel operators taxes paid when guests make purchases in the city. In the first case, there is no discernable difference in the valuation, and there fore the real estate taxes paid on a property that is used as a traditional or short-term rental. It is less clear whether traditional or short-term rental units generate greater sales taxes. A full-time resident will spend more within a year, but that spending may not be within the city. Visitors will pay a hotel operators tax along with sales taxes on purchases, but impact will vary based on occupancy, rate, and how much of the visitor spending is within the city.

### Do short-term rentals impact the housing supply and cost of housing in Ottawa?

Empirical studies examining an increase in short-term rentals in a market have shown modest impacts on housing and rental prices. Oxford Economics conducted a five-year nationwide study of Airbnb and VRBO rentals, finding they contributed only 0.002 percent to an annual increase in rents. A 2019 study in Harvard Business Review reported similar results, finding a one percent increase in online listings translated to a 0.02 percent increase in rental rates, and a 0.03 percent increase in housing costs.

# RECOMMENDATIONS

This study evaluated the market opportunity and financial viability of converting the unused upper levels of downtown buildings to residential units or short-term rentals. The findings demonstrate that there is an ample market for either approach, both of which have positive outcomes for the city in terms of its revenue, housing, workforce, and economic development. Strategies to encourage and support continued renovation and reuse include establishing new incentive programs to encourage renovation, general improvements to the district, and an adaptive management philosophy that responds to evolving market conditions.

## Incentives and funding sources

The City of Ottawa already offers a number of potential incentives that can be used to defray the cost of downtown building rehabilitation, to include the addition of upper level housing.

- Tax Increment Financing (TIF). Most of the downtown falls within a tax increment financing (TIF) district. In a TIF, the City may use the additional taxes ("increment") paid on a renovated property to help offset the cost of redevelopment. Many TIF incentives are offered as a tax rebate, however, it is not uncommon for agreements on larger project to be negotiated individually, with the potential for up-front funding.
- Enterprise Zone (EZ). The Ottawa Enterprise Zone is a state-designated district in which tax credits may be available for some kinds of investment. While commercial projects may be eligible for other incentives including job creation tax credits, a residential rehabilitation project may be able to take advantage of two programs:
    - Sales tax exemption. Building materials purchased for use in an eligible project may be exempt from sales taxes. "Sales tax is exempted on building materials incorporated into real estate located in the Enterprise Zone. The exemption applies to building and construction materials used for remodeling, rehabilitation or new construction."
    - Investment tax credit. Buildings are one of the qualified investments that may be eligible for a state tax credit of 0.5 percent.
- Façade Improvement Program (Façade). The City of Ottawa has established a grant program assisting building owners with eligible improvements to building facades. A range of design services, rehabilitation work, and investments in signage and awnings is covered under the program, which covers up to half of the cost, with a maximum square foot amount based on the front, side, or rear façade.
- Historic Preservation Tax Credits (HPTC). Eligible restoration activities in historic buildings may receive a federal tax credit. Owners may be able to deduct up to 20 percent of qualified expenditures from their federal taxes.

There are eight potential, significant areas of cost associated with creating upper-level rental units in downtown buildings. These include acquisition, design and related professional services, structural repairs, replacement or installation of buildings services (electrical, plumbing, HVAC, etc.), restoration of the exterior façade (including doors, windows, roof, etc.), constructing the new rental units (including any interior demolition),

EXISTING INCENTIVES AND USES OF FUNDING

| USE OF FUNDING | EXISTING SOURCES |
|---|---|
| Acquisition | TIF |
| Architectural, engineering, other services | TIF, Façade |
| Structural repairs | TIF, EZ, HPTC |
| HVAC, electrical, plumbing | TIF, EZ, HPTC |
| Façade restoration | TIF, Façade, EZ, HPTC |
| Rental unit construction | TIF, EZ, HPTC |
| Stairway replacement; second egress | TIF, EZ, HPTC |
| New construction | TIF, EZ |

stairway replacement and constructing a secondary means of egress, and new construction. New construction has not been previously considered, but may be an option for some buildings, helping to address issues related to egress and expanding the number or size of potential units. Examples might include adding a new level or an attached addition to the original structure.

Overall, existing incentive programs have the potential to address each of these eight issues to some degree. An additional concern is unrelated to aspects of renovation. As interest rates have risen, projects that may have appeared attractive at lower rates are being questioned. This ninth issue may also be addressed through the City's incentive programs.

In addition to the programs bulleted above, the City should consider establishing one or more targeted programs to support upper level residential unit development in the downtown. Three potential programs are described below: 1) Project Inspiration Grant Program; 2) Building Repair Program; and 3) Renovation Loan Program.

**Project Inspiration Grant Program.** The City may consider an annual program intended to jump-start the renovation process. This program is recommended as a grant that will pair building owners with conceptual design and project feasibility services to evaluate a potential project.

Many downtown building owners have little expertise in design or constructions, or the technical capacity to evaluate whether a project may make financial sense and how to structure it. This program is intended to help building owners visualize a project, understand the requirements as well as the impacts it may have on their building, prepare reliable cost estimates and a funding program that may include City incentives, and evaluate its financial viability It may be structured as follows.

1. Service provider. The City can enter into contracts with a pre-qualified vendors to provide services to eligible downtown buildings.
2. Project proposals. The City can solicit proposals from downtown buildings owners to receive design and project feasibility services. While the primary focus should be on reusing the upper levels, some work will be required on other portions of the building and can be covered through the grant. Projects can include elements of new construction, such as a rear addition or a building on an adjacent lot, which will share access with an existing structure.
3. Design services. Design services include preparation of conceptual floor plans for the upper level(s), along with alterations to the ground level and to the exterior façade, consistent with the City's design guidelines. They should plainly indicate the extent of work needed to bring the project to completion, including any structural repairs, roofing, windows, stairs or egress improvements, HVAC, plumbing, electrical, demolition, carpentry, and finishes. A detailed cost estimate will be provided.
4. Project feasibility services. Based on the project cost estimate, the service provider will prepare a financial analysis identifying incentive funding that may be available up-front, through grants or loans, the minimum amount of owner equity

required, and the amount that may be financed. It will also consider incentives realized in the future to offset borrowing, such as tax rebates and tax credits. The service provider will prepare  cash flow statement to help determine if the project is financially viable.

**Building Repair Grant Program.** This is a straightforward program to help incentivize new upper-level residential units by providing a matching grant to building owners. This program could be designed like the façade program, instead covering residential renovation costs including HVAC, electrical, plumbing, and carpentry. Such a program could provide a higher level of funding than the façade program and be structured as follows:

1. The City can establish a goal for number of upper level residential units it would like to see created. Guidelines should be established related to the character of units that would be eligible for grant funds, as well as limits on the total funding available per unit and per building.
2. One or more sources of funding (tax increment financing, grant funds, etc.) can be pooled as the source of program funding.
3. Eligible property owners apply to the program. After their applications are approved, they complete the project and then apply to the City for reimbursement, typically up to 50 percent of eligible project costs up to a specified amount as determined in the program guidelines.

**Renovation loan program.** The City may have two approaches to establishing a renovation loan program. The intent of the program is to offer access to loans at below-market rates to make projects more appealing. There are three ways in which this might be structured.

1. Direct loans. The most straightforward approach is to establish a loan pool from which the City can make loans to clients. This approach has drawbacks in that it requires a large pool of funds from which to write loans, those funds will be tied up in the project for an extended period, and there is on ongoing cost to service the loans. The advantage is that as funds are recovered, they may be reapplied to new projects. The U.S. Economic Development Administration, USDA – Rural Development, state programs, or tax increment financing may provide a source of funds for the initial loans.
2. Blended loans. The second approach combines a low-interest loan from the City with conventional, market-rate financing to achieve an overall interest rate that is below market. The target rate can be reached by varying the relative size of each loan and/or the interest rate offered. In most cases, this will also require the City to subordinate its loan to that of the commercial lender. The same programs identified above can be used in this approach.
3. Interest rate write-down. In this approach, the City does not make a loan. Instead, it works with the bank to write down the interest rate charged on a loan made to the property owner. This usually requires a direct payment to a bank; however, it is not unheard of for banks to meet a local community part of the way in reducing borrowing costs to participate in such programs.

   As an example, someone borrowing $100,000 on a five-year loan with a 20-year amortization would expect to pay $18,555 in interest at the end of the five-year term, at four percent, while they would pay $28,310 in interest at a six percent rate. The $10,245 difference would be the cost of writing down the interest rate.

Tax increment financing or state funds would be the most likely sources of funding for this approach. Community Development Block Grants (CDBG) can be used to create interest write-down programs.

## General investments in the downtown district

The downtown district's architecture, blend of shops, eateries, and entertainment, and distinctive apartments combine to make it a desirable location in which to live or to stay while visiting the area. Investments that enhance these qualities will help to create a market for existing or new residential units that are created in the district.

**Develop and program the downtown waterfront.** Plans to transform the waterfront, if realized, could have a significant impact on the community. Large events in the downtown will expand the market for restaurants and related uses that make the district a desirable place to live, helping to attract a greater number of them. Visitors will also expand the market for short-term rentals in the district. It is critically important that the City have a plan for actively programming the space along with simply developing it.

**Encourage downtown condominium development.** Locally and nationally, the housing market is not functioning as it should, largely because not enough new housing is being built. More than any other product, it is condominiums that are missing from the housing mix. These units appeal both to first-time buyers and to older residents seeking to downsize from family housing. The downtown offers a high-quality environment where attractive, middle- to upper-end units can be built in multi-story buildings overlooking the Fox or Illinois Rivers. Adding these residents further strengthens the district and makes it a more appealing place to rent or own, while the new units will encourage turn-over in existing owned housing to bring new families into the city's neighborhoods. Sites like the northeast corner of Columbus Street and Madison Street, or properties bordering the new waterfront park might be considered. Some larger historic buildings might be considered candidates for condominium conversion, perhaps involving some new construction.

**Investigate the potential for a downtown hotel.** The downtown location is attractive for a hotel that may be developed in one of two formats, either as a boutique hotel, or a larger facility with banquet and meeting space. Positioned with a higher tier of amenities than other area hotels, a downtown hotel would cater to business travelers, leisure travelers wanting an upgraded experience, visitors to downtown events, and attendees of events at a conference hotel. The ideal location for such a hotel will be adjacent to, or in close proximity to, the waterfront park and arena. This does offer the opportunity to incorporate historic structures into a project.

**Explore the need for structured parking.** There is limited parking in the core downtown area, and the need for parking will continue to grow as the district attracts more residents, workers, and visitors. Centrally-located structured parking, with street-level retail space, can be a great enhancement to the district. As a management consideration, covered parking stalls may prove to be very attractive to downtown residents who would prefer to have their vehicles in a protected location. Structured parking may also be designated for worker parking, leaving on-street parking available for customers.

## Management and Implementation

The Short-Term Rental Ordinance proposed for the City of Ottawa contains a number of provisions that address management needs particular to those units. Few measures are required related to traditional apartment units. Overall, the City can take a few basic steps to monitor transition in the downtown and encourage investment where it is likely to pay a dividend.

**Create a guide for downtown living.** Downtown is a unique location with unique issues unlike those of a typical neighborhood or apartment community. A "guide to downtown living" can promote the district and its businesses while offering useful information for new residents, including contract workers staying for extended periods. It should have basic information about common needs like parking, trash handling, where to walk pets, etc., along with information about downtown events, attractions, and resources.

**Create a guide for short-term rentals.** This guide is intended for people who own or are considering starting a short-term rental in the city. It should explain the requirements adopted through the Short-Term Rental Ordinance and the process to obtain approval, as well as to meet reporting requirements. It should include guidelines on the information owners should make available to tenants (such as how to park downtown) and a code of conduct for owners.

**Enter into agreements with lodging marketplaces to collect and remit hotel operator's taxes to the city.** Lodging marketplaces like AirBnB, HomeAway, and VRBO will collect the hotel operator's tax at the time a room is booked, and remit it to the City. They will not report stays at individual units. This will mean that individual owners will still be required to submit monthly reports to the City.

**Establish an online portal for short-term rental reporting.** To encourage participation and timely compliance, the City should establish an online platform supporting short-term rental registration and renewal, and monthly reporting of the hotel operator's tax. Automating this process will also reduce the amount of City staff time spent on the process, as well as in following up to ensure compliance.

**Evaluate the effectiveness of the new parking program.** The City adopted a new parking strategy at the end of 2023. As this strategy is implemented, it should be continually evaluated to identify issues that may be addressed through alterations to elements of the approach.

# APPENDIX A: DOWNTOWN BUILDING INVENTORY

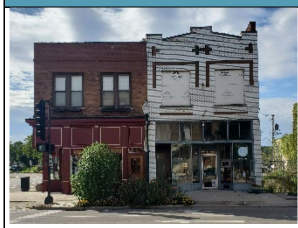
Downtown buildings with the potential for upper-level residential conversions were inventoried as a part of the analysis. It was possible to tour the upper levels of some of these buildings. Additional information was obtained through interviews with owners or tenants/employees within the buildings, or through observations of the exterior. In the inventory, the following abbreviations were used to identify the incentive programs that may best be matched to the needs identified. Buildings with good potential to create new apartments are identified with a star (★).

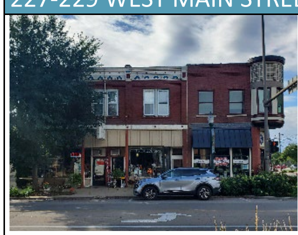
- TIF – Tax Increment Financing
- EZ – Enterprise Zone
- HPTC – Historic Preservation Tax Credit
- FIP – Façade Improvement Program
- PIG – Project Inspiration Grant Program
- BRG – Building Repair Grant Program
- RLP – Renovation Loan Program

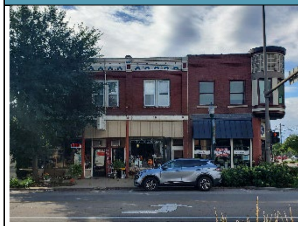
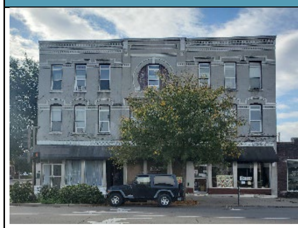
Buildings are listed by street and address.

MAIN STREET

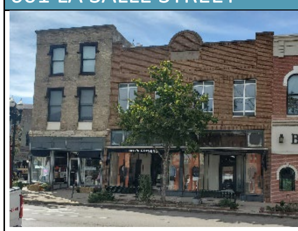
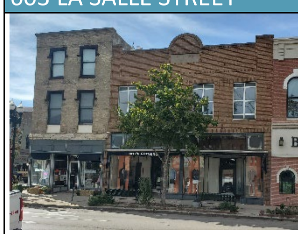
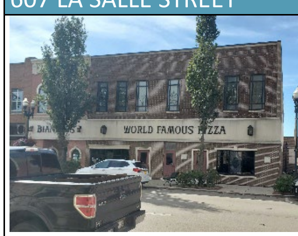
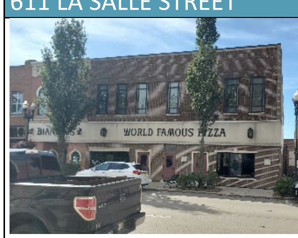
| | | | | |
|---|---|---|---|---|
| **100 WEST MAIN STREET** | | | | |
|  | 1st floor: 1,100<br>2nd floor: 1,100 | One new apartment on upper level. | Excellent condition. Recent renovation. Internal and external stairway. Rooftop deck. | |
| **102 WEST MAIN STREET** | | | | |
|  | Built 1935<br>1st floor: 3,600 sq. ft.<br>2nd floor 3,600 sq. ft. | Event room and one apartment | Excellent condition. Recent renovation. Two stairways exit front of building. | |
| **110-112 WEST MAIN STREET** | | | | |
|  | 1st floor: 6,000 sq. ft<br>2nd floor 6,000 sq. ft.<br>3rd floor 6,000 sq. ft. | Older apartments on upper levels | Some façade work required, mainly to first floor. Two internal stairways. | EZ, HPTC, FIP, PIG, BRG, RLP |

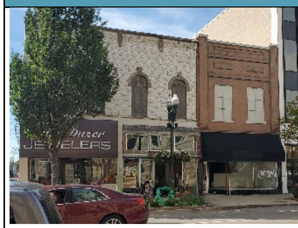
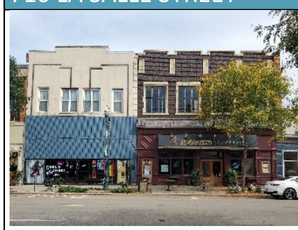
| | | | | |
|---|---|---|---|---|
| **201 WEST MAIN STREET** | | | | ★ |
|  | Built 1855<br>1st floor: 1,320 sq. ft.<br>2nd floor 1,320 sq. ft. | Vacant | Some work needed on façade. One front stair. Rear exterior stair possible, could be shared with adjacent building. | EZ, HPTC, FIP, PIG, BRG, RLP |
| **203 WEST MAIN STREET** | | | | ★ |
|  | Built 1855<br>1st floor: 1,320 sq. ft.<br>2nd floor 1,320 sq. ft. | Vacant | Mostly original façade in need of extensive renovation. One front stair. Rear exterior stair possible, could be shared with adjacent building. | EZ, HPTC, FIP, PIG, BRG, RLP |
| **208 WEST MAIN STREET** | | | | ★ |
|  | Built 1880<br>1st floor: 1,240 sq. ft.<br>2nd floor: 1,240 sq. ft. | Vacant | Minor work required to building façade. One front stairway. Building is landlocked, making second exit difficult, possibly over roof of adjacent building. | EZ, HPTC, FIP, PIG, BRG, RLP |
| **209 WEST MAIN STREET** | | | | ★ |
|  | Built 1855<br>1st floor: 6,200<br>2nd floor: 4,400 | Vacant | Façade work is needed. Adjacent building removed and possible development site, can be linked to this building for accessibility. | TIF, EZ, HPTC, FIP, PIG, BRG, RLP |
| **213 WEST MAIN STREET** | | | | ★ |
|  | Built 1855<br>1st floor 1,600 sq. ft.<br>2nd floor: 1,600 sq. ft. | Vacant | Façade needs some improvement. One internal stairway. Exterior rear stair possible. | EZ, HPTC, FIP, PIG, BRG, RLP |
| **215-217 WEST MAIN STREET** | | | | ★ |
|  | Built 1835<br>1ST Floor: 3,200<br>2nd floor: 3,200<br>3rd floor: 3,200 | Eight older apartments on upper levels | Façade is in good condition. Window AC units suggest need for upgraded HVAC and other systems. | EZ, PIG, BRG, RLP |

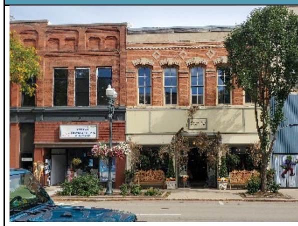
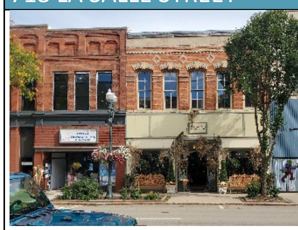
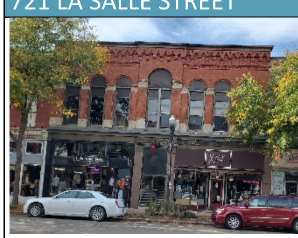
| | | | | |
|---|---|---|---|---|
| 219 WEST MAIN STREET | | | | |
|  | Built 1855<br>1st floor: 1,876 sq. ft.<br>2nd floor: 1,876 sq. ft.<br>3rd floor: 1,876 sq. ft. | Two renovated units on upper levels, one is owner | Building is in good condition | |
| 221 WEST MAIN STREET | | | | |
|  | Built 1855<br>1st floor: 1,984 sq. ft.<br>2nd floor: 1,984 sq. ft. | Upper level apartment | Building is in good condition | |
| 222 WEST MAIN STREET | | | | |
|  | Built 1880<br>1st floor: 1,400 sq. ft.<br>2nd floor: 1,400 sq. ft. | Upper level being renovated to create one new apartment | Renovation in progress. | |
| 224-226 WEST MAIN STREET | | | | ★ |
|  | Built 1880<br>1st floor: 2,800<br>2nd floor: 2,800 | Upper level meeting room and vacant. | Some work needed on façade. Appears to have second stairway on rear. | EZ, HPTC, FIP, PIG, BRG, RLP |
| 227-229 WEST MAIN STREET | | | | |
|  | Built 1855<br>1st floor: 5,440 sq. ft<br>2nd floor: 5,440 sq. ft | Upper level renovated apartments | Building is in good condition. | |
| 228 WEST MAIN STREET | | | | |
|  | 1st floor: 1,160 sq. ft.<br>2nd floor: 1,160 sq. ft. | One upper level apartment | Building is in good condition. | |

| | | | | |
|---|---|---|---|---|
| **231 WEST MAIN STREET** | | | | |
|  | BUILT 1855<br>1st floor: 3,000 sq. ft<br>2nd floor: 3,000 sq. ft | Upper level renovated apartments | Building is in good condition. | |
| **301-305 WEST MAIN STREET** | | | | ★ |
|  | Built 1885<br>1st floor: 4,200 sq. ft.<br>2nd floor: 4,300 sq. ft.<br>3rd floor: 4,200 sq. ft. | Upper levels have small, older apartments receiving cosmetic upgrades. | Extensive façade work required. Interior rebuild recommended. This building would be an ideal candidate for a boutique hotel, redeveloped with adjacent property. | TIF, EZ, HPTC, PIG |

## LA SALLE STREET

| | | | | |
|---|---|---|---|---|
| **601 LA SALLE STREET** | | | | |
|  | Built 1880<br>1st floor: 1,140 sq. ft.<br>2nd floor 1,140 sq. ft.<br>3rd floor: 1,140 sq. ft. | Upper level apartments | Façade in decent condition. Interior and exterior stairways. Window AC units suggest a lower-tier renovation of the apartments. | EZ, BRG, RLP |
| **603 LA SALLE STREET** | | | | ★ |
|  | Built 1885<br>1st floor: 3,298 sq. ft.<br>2nd floor 3,298 sq. ft. | Vacant | Façade in good condition. One stairway to upper level and difficult to add a second without impairing use and historic features of the lower level. | EZ, HPTC, PIG, BRG, RLP |
| **607 LA SALLE STREET** | | | | ★ |
|  | Built 1880<br>1st floor: 1,600 sq. ft<br>2nd floor: 1,600 sq. ft. | Vacant | Façade in good condition. Upper level connected to 611 LaSalle. Two stairways. | EZ, PIG, BRG, RLP |
| **611 LA SALLE STREET** | | | | ★ |
|  | Built 1880<br>1st floor: 4,430 sq. ft.<br>2nd floor: 4,430 sq. ft. | Vacant | Façade in good condition. Upper level connected to 607 LaSalle. Two stairways. | EZ, PIG, BRG, RLP |

| | | | | |
|---|---|---|---|---|
| 615-617 LA SALLE STREET | | | | ★ |
|  | Built 1855<br>1st floor 2,550 sq. ft.<br>2nd floor 2,550 sq. ft. | Vacant | Façade needs extensive restoration. No access to upper level. Potential for external stairway or develop with 619 LaSalle | TIF, EZ, HPTC, PIG, BRG, RLP |
| 619 LA SALLE STREET | | | | ★ |
|  | Built 1855<br>1st floor 1,500 sq. ft.<br>2nd floor 1,500 sq. ft. | Vacant | Façade needs extensive restoration. Internal stair to upper level with no separate street access. Potential to redevelop with 615-617 LaSalle. | TIF, EZ, HPTC, PIG, BRG, RLP |
| 710 LA SALLE STREET | | | | ★ |
|  | 1st floor: 4,800 sq. ft.<br>2nd floor: 4,800 sq. ft. | Vacant | Façade in good condition. Stairway to upper level from street. Possible exterior exit at rear | EZ, HPTC, PIG, BRG, RLP |
| 711-713 LA SALLE STREET | | | | ★ |
|  | 1st floor: 5,006 sq. ft.<br>2nd floor: 5,006 sq. ft. | Owner apartment and vacant | Façade needs extensive renovation. External exit/deck and stairs at rear of building. No second stairway. | EZ, HPTC, PIG, BRG, RLP |
| 712 LA SALLE STREET | | | | ★ |
|  | Built 1903<br>1st floor: 3,600 sq. ft.<br>2nd floor: 3,600 sq. ft. | Vacant | Façade needs extensive renovation. Former theater. Most of upper level suspended from roof trusses. Likely extensive structural work. Second, exterior stair to upper level at rear. | TIF, EZ, HPTC, PIG, BRG, RLP |
| 715 LA SALLE STREET | | | | ★ |
|  | Built 1875<br>1st floor: 2,120 sq. ft<br>2nd floor: 2,120 sq. ft. (upper level appears to be smaller, with one story at rear.) | Vacant | Façade in average condition. One central stairway accessed from street, shared with 717 LaSalle. Does not appear to have a second. Possible deck and exit to one-story part of building at rear. | EZ, HPTC, PIG, BRG, RLP |

| | | | | |
|---|---|---|---|---|
| 716 LA SALLE STREET | | | | ★ |
|  | 1st floor: 3,600 sq. ft.<br>2nd floor: 3,600 sq. ft. | Vacant | Some work needed to façade. Probable stair at rear. No second stairway. | EZ, HPTC, PIG, BRG, RLP |
| 717 LA SALLE STREET | | | | ★ |
|  | Built 1875<br>1st floor: 1,880 sq. ft.<br>2nd floor: 1,880 sq. ft. | Vacant | Façade in average condition. One central stairway accessed from street, shared with 715 LaSalle. Does not appear to have a second. Possible deck and exit to one-story part of building at rear. | EZ, HPTC, PIG, BRG, RLP |
| 718 LA SALLE STREET | | | | |
|  | 1st floor: 2,134 sq. ft<br>2nd floor: 2, 134 sq. ft. | Apartments under renovation | Apartments under renovation. | |
| 719 LA SALLE STREET | | | | ★ |
|  | 1st floor: 3,600 sq. ft.<br>2nd floor 2,310 sq. ft. | Vacant | Façade in poor condition. Open stairway in ground floor shop. Possible deck and second exit over roof of one story rear of building. | EZ, HPTC, PIG, BRG, RLP |
| 720 LA SALLE STREET | | | | |
|  | 1st floor: 1,720 sq. ft.<br>2nd floor: 1,720 sq. ft. | Apartments under renovation | Apartments under renovation. | |
| 721 LA SALLE STREET | | | | ★ |
|  | 1st floor: 3,000 sq. ft.<br>2nd floor: 3,000 sq. ft. | Office for PersonaliTees and vacant | One stairway to street. Landlocked building. Possible rear exit onto roof of adjacent building. | EZ, HPTC, PIG, BRG, RLP |

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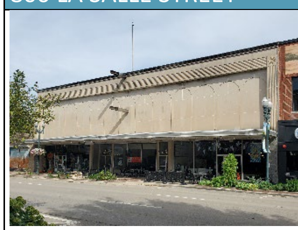
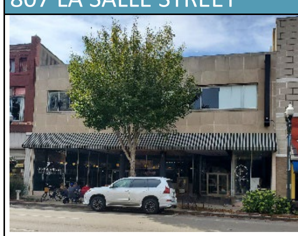
| 722 LA SALLE STREET | | | | |
|  | 1st floor: 1,548 sq. ft.<br>2nd floor 1,548 sq. ft. | Apartments under renovation | Apartments under renovation. | |
| 725 LA SALLE STREET | | | | ★ |
|  | 1st floor: 5,880 sq. ft.<br>2nd floor: 5,880 sq. ft. | Owner apartment and vacant | Façade needs renovation. Two stairways. | EZ, HPTC, PIG, BRG, RLP |
| 800 LA SALLE STREET | | | | |
|  | Built 1937<br>1st floor: 5,700 sq. ft.<br>2nd floor: 5,700 sq. ft.<br>3rd floor: 5,700 sq. ft. | Vacant | Façade in good condition. Not easily adapted to residential use. | TIF, EZ, HPTC, PIG, BRG, RLP |
| 801-805 LA SALLE STREET | | | | ★ |
|  | Built 1906<br>1st floor: 9,000 sq. ft.<br>2nd floor: 9,000 sq. ft. | Furniture showroom | Façade needs significant renovation. Future potential to adapt to residential use. | TIF, EZ, HPTC, PIG, BRG, RLP |
| 807 LA SALLE STREET | | | | |
|  | Built 1875<br>1st floor: 8,700 sq. ft.<br>2nd floor: 8,700 sq. ft. | Church and meeting space | Façade is in good condition. Limited potential to convert to residential use. | EZ, PIG, BRG, RLP |
| 812 LA SALLE STREET | | | | |
|  | 1st floor: 5,160 sq. ft.<br>2nd floor: 2,920 sq. ft. | Vacant | Façade is in good condition. Upper level planned for commercial use. | EZ, PIG, BRG, RLP |

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|---|---|---|---|---|
| **814-818 LA SALLE STREET** | | | | |
|  | 1st floor: 11,376 sq ft.<br>2nd floor: 11,376 sq. ft.<br>3rd floor: 3,584 sq ft. | Vacant | Façade in good condition. Difficult to convert to residential use due to size. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **815 LA SALLE STREET** | | | | |
|  | Built 1918<br>1st floor: 7,200 sq. ft.<br>2nd floor: 7,200 sq. ft. | Vacant | Facade in good condition. Difficult to convert to residential. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **1007 LA SALLE STREET** | | | | |
|  | Built 1925<br>1st floor: 1,876 sq. ft.<br>2nd floor: 1,876 sq. ft. | Older apartments | Facade in good condition. Appears to have two stairways. | EZ, HPTC, PIG, BRG, RLP |
| **1015-1017 LA SALLE STREET** | | | | |
|  | Built 1948<br>1st floor: 3,076 sq. ft.<br>2nd floor: 3,076 sq. ft. | Renovated apartments | Facade in good condition. | EZ, HPTC, PIG, BRG, RLP |
| **1018-1022 LA SALLE STREET** | | | | |
|  | Built 1925<br>1st floor: 6,160 sq. ft.<br>2nd floor: 6,160 sq. ft. | Older apartments | Facade needs some restoration. Dated apartments are candidates for renovation. | EZ, HPTC, PIG, BRG, RLP |

## MADISON STREET

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| **104-106 MADISON STREET** | | | | ★ |
|  | 1st floor: 3,000 sq. ft.<br>2nd floor: 3,000 sq. ft. | Vacant | Façade in good condition but not suitable for conversion. Appears to have single stairway on front. | EZ, HPTC, PIG, BRG, RLP |
| **108 MADISON STREET** | | | | ★ |
|  | 1st floor: 1,600 sq. ft.<br>2nd floor: 1,600 sq. ft. | Vacant | Façade in need of extensive restoration. Does not appear to have stairway existing directly outside. | EZ, HPTC, PIG, BRG, RLP |
| **209-211 MADISON STREET** | | | | |
|  | 1st floor: 3,336 sq. ft.<br>2nd floor: 3,336 sq. ft. | Four renovated apartments and vacant space | Façade in good condition. Newer apartments. One stair at front. | EZ, HPTC, PIG, BRG, RLP |
| **215-217 MADISON STREET** | | | | ★ |
|  | Built 1915<br>1st floor: 2,600 sq. ft.<br>2nd floor: 2,600 sq. ft. | Two apartments | Façade in need of attention. Appear to be older apartments with stairs at front and rear. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **218 MADISON STREET** | | | | |
|  | 1st floor: 3,520 sq. ft.<br>2nd floor: 3,520 sq. ft. | Office | Façade in good condition. Extensive redesign would be required to convert to residential. | |
| **222 MADISON STREET** | | | | ★ |
|  | 1st floor: 4,720 sq. ft.<br>2nd floor: 3,244 sq. ft. | Commercial | Façade in average condition. Apartment conversion would require extensive redesign. Two stairways possible. | EZ, HPTC, PIG, BRG, RLP |

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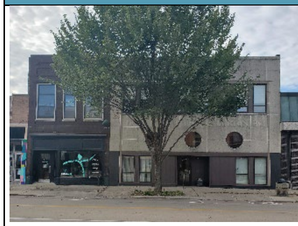
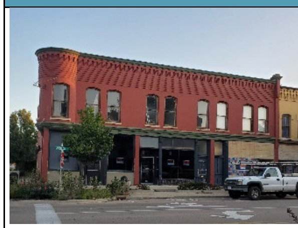
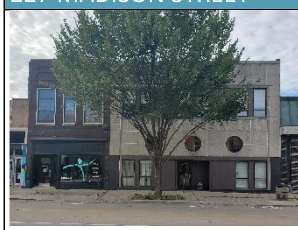
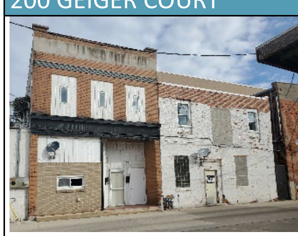
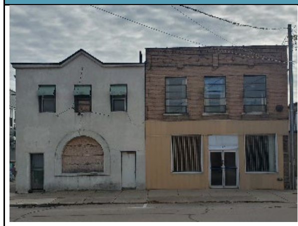
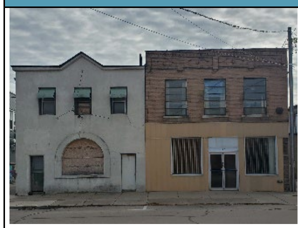
| 225 MADISON STREET | | | | ★ |
|  | Built 1910<br>1st floor: 1,600 sq. ft.<br>2nd floor: 1,600 sq. ft. | Short-term rental | Façade in average condition. | EZ, HPTC, PIG, BRG, RLP |
| 226-230 MADISON STREET | | | | ★ |
|  | 1st floor: 4,290 sq. ft.<br>2nd floor: 4,290 sq. ft. | Vacant, formerly apartments | Façade in poor condition. Stairway at front and side. | TIF, EZ, HPTC, PIG, BRG, RLP |
| 227 MADISON STREET | | | | ★ |
|  | Built 1915<br>1st floor: 3,200 sq. ft.<br>2nd floor: 3,200 sq. ft. | Offices and one apartment | Façade needs renovation. Second floor bridge to 616 Clinton. | TIF, EZ, HPTC, PIG, BRG, RLP |
| 423 MADISON STREET | | | | |
|  | Built 1855<br>1st floor: 1,410 sq. ft.<br>2nd floor: 1,410 sq. ft. | Vacant | Façade is in average condition. Use as a tavern may make it undesirable for residential. | EZ, HPTC, PIG, BRG, RLP |

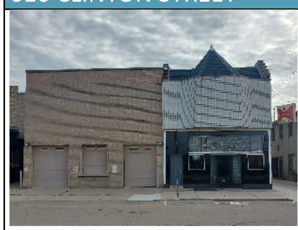
## GEIGER COURT

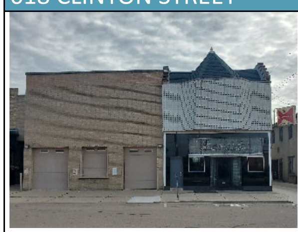
| | | | | |
|---|---|---|---|---|
| 200 GEIGER COURT | | | | ★ |
|  | Built 1880<br>1st floor: 1,056 sq. ft.<br>2nd floor: 1,056 sq. ft. | Vacant, formerly three apartments | Façade in poor condition. Alley location. Appears to have only one stairway. Could be redeveloped with 203 Geiger. | EZ, HPTC, PIG, BRG, RLP |
| 203 GEIGER COURT | | | | ★ |
|  | Built 1880<br>1st floor: 1,920 sq. ft.<br>2nd floor: 1,920 sq. ft. | Vacant listed for storage | Façade in poor condition. Alley location. Appears to have only one stairway. Could be redeveloped with 200 Geiger. | EZ, HPTC, PIG, BRG, RLP |

## CLINTON STREET

| 610 CLINTON STREET | | | | ★ |
|---|---|---|---|---|
|  | Built 1905<br>1st floor: 1,500 sq. ft.<br>2nd floor: 1,500 sq. ft. | Vacant | Façade in poor condition. Appears to have single stairway to upper level. Sidewalk is in bad condition. | EZ, HPTC, PIG, BRG, RLP |

| 610 CLINTON STREET | | | | ★ |
|---|---|---|---|---|
|  | 1st floor: 1,500 sq. ft.<br>2nd floor: 1 500 sq. ft. | Vacant | Façade in very poor condition. Appears to have stairway at front and on side. Sidewalk is in bad condition | EZ, HPTC, PIG, BRG, RLP |

| 616 CLINTON STREET | | | | ★ |
|---|---|---|---|---|
|  | 1st floor: 1,608 sq. ft.<br>2nd floor: 1,608 sq. ft. | One apartment | Historic façade in good condition. Appears to have second stairway at rear of building. | EZ, HPTC, PIG, BRG, RLP |

| 618 CLINTON STREET | | | | ★ |
|---|---|---|---|---|
|  | Built 1950<br>1st floor: 2,636 sq. ft.<br>2nd floor: 2,636 sq. ft. | One apartment | Façade in good condition while garage doors do not contribute to district appeal. Possible second access through bridge to 227 Madison Street. Stairway to alley. | EZ, HPTC, PIG, BRG, RLP |

## SUPERIOR STREET

| 100-106 SUPERIOR STREET | | | | |
|---|---|---|---|---|
|  | Built 1969<br>1st floor: 2,100 sq. ft.<br>2nd floor: 2,100 sq. ft. | Offices, listed for rent | Façade is in average condition. Upper level is accessed from exterior stairway and balcony. Not suitable for residential conversion. | EZ, HPTC, PIG, BRG, RLP |

## COLUBUS STREET

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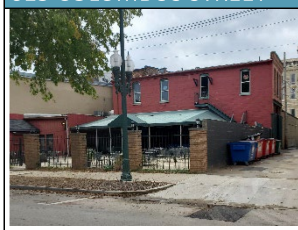
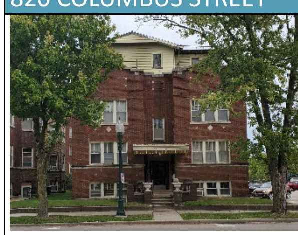
| **608 COLUMBUS STREET** | | | | |
|  | Built 1855<br>1st floor: 1,808 sq. ft.<br>2nd floor: 1,760 sq. ft. | Apartment | Façade in good condition. Recent renovation. Access to street and on side of building. | |
| **615 COLUMBUS STREET** | | | | ★ |
|  | Built 1890<br>1st floor: 1,080 sq. ft.<br>2nd floor: 1,080 sq. ft. | Vacant | Façade is in good condition. There does not appear to be an inner stairway. An external stairway leads to a window. | EZ, HPTC, PIG, BRG, RLP |
| **617 COLUMBUS STREET** | | | | ★ |
|  | Built 1880<br>1st floor: 2,800 sq. ft.<br>2nd floor: 2,800 sq. ft. | Apartment | Façade is in good condition. One stairway existing to street. Second stairway at rear. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **628 COLUMBUS STREET** | | | | |
|  | Built 1913<br>1st floor: 7,200 sq. ft.<br>2nd floor: 7,200 sq. ft.<br>3rd floor: 7,200 sq. ft.<br>4th floor: 7,200 sq. ft.<br>5th floor: 7,200 sq. ft.<br>Lower: 7,200 sq. ft. | Office building | Very good condition. Conversion could only be possible with significant destruction of the historic interior, while there continues to be demand for the offices. | |
| **820 COLUMBUS STREET** | | | | ★ |
|  | Built 1925 | 12 apartment plus partial upper level | Oder apartment building in generally good condition. Older mechanicals, window AC units. Potential to upgrade. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **824 COLUMBUS STREET** | | | | ★ |
|  | Built 1939 | 16 apartments including partially-exposed lower level | Older apartment building in generally good condition. Older mechanicals, window AC units. Potential to upgrade. | TIF, EZ, HPTC, PIG, BRG, RLP |

## COURT STREET

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| **606 COURT STREET** | | | | |
|  | Built 1855<br>1st floor: 1,728 sq. ft.<br>2nd floor: 1,728 sq. ft.<br>3rd floor: 1,728 sq. ft. | Two renovated apartments | Façade in good condition. Renovated apartments. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **608 COURT STREET** | | | | ★ |
|  | Built 1855<br>1st floor: 1,368 sq. ft.<br>2nd floor: 1,368 sq. ft.<br>3rd floor: 1,368 sq. ft. | Vacant | Façade needs some work. Does not have stairway separate from commercial space. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **610 COURT STREET** | | | | ★ |
|  | Built 1880<br>1st floor: 1,350 sq. ft.<br>2nd floor: 1,350 sq. ft. | Vacant | Façade needs some work. Does not have stairway separate from commercial space. | TIF, EZ, HPTC, PIG, BRG, RLP |
| **616-618 COURT STREET** | | | | |
|  | Built 1875<br>1st floor: 3,200 sq. ft.<br>2nd floor: 3,200 sq. ft.<br>3rd floor: 3,200 sq. ft. | Apartments under renovation | Renovation in progress. Will create upper level loft apartments. | |
| **620 COURT STREET** | | | | |
|  | Built 1895<br>1st floor: 2,220 sq. ft.<br>2nd floor: 2,220 sq. ft. | Apartments under renovation | Renovation in progress. Will create upper level apartments. | |
| **622 COURT STREET** | | | | |
|  | Built 1947<br>1st floor: 792 sq. ft.<br>2nd floor: 792 sq. ft. | One apartment | Building has recently been renovated and is in good condition | |

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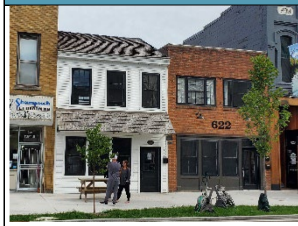
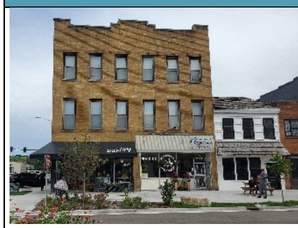
| **624 COURT STREET** | | | | |
|  | Built 1865<br>1st floor: 510 sq. ft.<br>2nd floor: 510 sq. ft. | Commercial/office | Building has recently been renovated and is in good condition. | |
| **626-630 COURT STREET** | | | | ★ |
|  | Built 1855<br>1st floor: 3,200 sq. ft.<br>2nd floor: 3,200 sq. ft. | Dance studio | Façade in good condition. Upper floor access from stairways to Court and Madison Streets. | EZ, HPTC, PIG, BRG, RLP |