



CITY OF IOWA CITY MEMORANDUM

Date: September 8, 2020
To: Geoff Fruin, City Manager
From: Tracy Hightshoe, Neighborhood and Development Services Director
Re: **FY20 Affordable Housing Year-End Report (Revised 9/14/2020)**

The purpose of this report is to provide the City Council and public a report on the City's affordable housing efforts over the last fiscal year. The City's Consolidated Plan for Housing, Jobs and Services for Low-Moderate Income Residents (a.k.a. CITY STEPS) outlines how the City will spend its federal dollars for affordable housing over a five-year period. FY20 represents the last year of the 2016-2020 CITY STEPS plan. In addition to the federal dollars received, the City annually allocates general fund dollars to support our Affordable Housing Action Plan through the Affordable Housing Fund and separate allocations. The City Council reviewed and approved the distribution of these funds in June of 2016 and then revised in July of 2019, after a review of the City's housing programs and initiatives.

The City aims to meet the following overlying goals through actions identified in the City's Consolidated Plan and Affordable Housing Action Plan:

- 1) Invest City and federal CDBG/HOME funds to create and/or preserve affordable homes, both rental and owner-occupied housing;
- 2) Support our most vulnerable residents, especially those experiencing homelessness or at risk of homelessness, maintain safe, affordable housing;
- 3) Ensure equitable growth for all Iowa City residents and minimize displacement; and
- 4) Support innovation in housing and streamline processes.

The City of Iowa City, with its funding partners, made over \$12.4 million available for affordable housing in FY20. Of this figure, over \$12 million was spent to create and/or assist 1,780 households/units of affordable housing. To avoid duplication of units, beneficiary data for assisted units are typically reported in the year they are completed as often housing projects can take multiple years to complete. The HOME program allows housing projects to take up to five years to complete.

FY20 Affordable Housing Highlights:

- Completed two Low Income Housing Tax Credit (LIHTC) projects with a total of 61 affordable units for those under 60% median income. Eight of the units are affordable to those at 30% median income and 16 are affordable to those at 40% median income. Total projects costs were estimated at over \$14.2 million.
- Established a security deposit program with CommUnity Crisis Services to assist those under 50% of median income secure permanent housing. 31 households served since February 2020.
- Established eviction/foreclosure prevention programs to assist residents under 80% of area median income financially impacted by COVID-19 maintain their existing housing.
- First vacant lot purchased with Opportunity Funds (former land banking funds) in the Lindemann Subdivision, Part 8. The lot is designed for six townhouse units. The land will be held by the City for a future affordable housing project.
- Completed the first two homes of the South District program and sold to neighborhood residents under 50% of median income. Both buyers were able to acquire the homes with

estimated monthly housing costs (mortgage, insurance and taxes) of approximately \$510. The Fair Market Rent in Iowa City for a two-bedroom unit is \$1,011.

- Initiated a partnership with Iowa Valley Habitat for Humanity to market, leverage rehabilitation funds and work with interested households in the South District to qualify for 30-year mortgages under the South District Program.
- The City's owner-occupied CDBG/HOME and GRIP programs rehabilitated 30 homes with an investment of over \$509,000 to preserve our affordable housing stock.
- Nine HOME projects were completed that assisted 28 units and 29 households.
- 78 new mainstream vouchers issued from HUD to the Iowa City Housing Authority for those experiencing chronic homelessness with a disabling condition. Leasing started in March 2020.
- The Riverfront Crossings Affordable Housing Requirement and Tax Increment Financing (TIF) residential projects have produced 66 affordable units under at least a 10-year compliance period. TIF requires 20 years.
- Completed the Analysis of Impediments to Fair Housing Choice. The study identified the impediments to fair housing choice in our community and outlined recommendations to address each barrier. (www.icgov.org/actionplan).

The Affordable Housing Fund

At the end of FY20, unspent funds that are not allocated to certain projects are carried over to the subsequent year. Prior to July 2019, the City allocated 25% of the Affordable Housing Fund to land banking activities. In FY20 the City spent \$204,000 to purchase Lot 10 in the Lindemann Subdivision, Part 8, for the future construction of six townhomes. It is hoped the City can work with a developer to combine this lot with additional vacant lots for a future scattered site Low Income Housing Tax Credit Project (LIHTC) for families.

After July 2019, the Council combined this fund with the Opportunity Fund and the amount allocated to various programs and purposes was changed. At the end of FY20, there is \$595,000 available in this fund for land acquisition or various housing opportunities. The City is actively working with property owners to acquire additional land.

The City allocates 50% of the Affordable Housing Fund to the Housing Trust Fund of Johnson County (HTFJC) for affordable housing activities. In FY20 they received \$500,000. \$182,046 was spent. The remainder was allocated to the Nex Senior LIHTC project. As the project was not able to secure Low Income Housing Tax Credit (LIHTC) funds from the Iowa Finance Authority (IFA), HTFJC recently repurposed the balance of FY20 funds (\$317,954) to the Shelter House Cross Park Place 2.0 project. Shelter House successfully applied for and received another \$2.7 million award from IFA in August 2020 to develop a second "Housing First" 36-unit project providing permanent supportive housing for homeless individuals/households with a disabling condition.

The estimated total project cost is \$6.3 million. The funds will be used for project construction which is anticipated to start in spring 2021. Much like Cross Park Place, the newly approved project will be able to receive project-based vouchers due to the set-aside the City Council established in 2018 for permanent supportive housing projects for persons who are chronically homeless with a disabling condition.

Project based vouchers are important to these types of developments as they provide a reliable source of ongoing rental revenue to the owner. The household pays an established amount to the owner (typically approximately 30% of their monthly income) and the Housing Authority pays the balance of rent due to the owner. Cash flow for this specific property will also be improved through the use of

project-based vouchers as Shelter House will be able to charge 100% of the Fair Market Rent for one-bedroom units as opposed to someone who has a tenant-based voucher limited by the rents established by the National Housing Trust Fund. Those rents are approximately 45% less than our Fair Market Rent.

\$200,000 was allocated to HTFJC for LIHTC projects. No projects in Iowa City were awarded funds in FY20. Administrative funds, up to 5%, are paid to conduct the application process and the monitoring of previously awarded projects. \$190,000 is carried forward to the FY21 LIHTC funding round. Applications are typically due to IFA in the fall each year. The City anticipates another Iowa City based application to apply for these funds in the next funding round.

The Healthy Homes and Landlord Risk Mitigation initiatives did not spend City funds in FY20. The City received a grant for the Healthy Homes program through the Housing Trust Fund of Johnson County that expires in October 2020. The City utilized these funds for the eight applications received for assistance. The City is working with the Johnson County Local Homeless Coordinating Board (LHCB) to establish a landlord risk mitigation program. No funds were spent in FY20 and this has been delayed due to COVID relief efforts. The City will continue to work with the LHCB to establish a fund in FY21. The FY20 unspent funds from these two initiatives are placed in the Opportunity Fund at the end of the fiscal year. These funds will be applied to future land acquisitions or other affordable housing efforts as designated by City Council.

Housing Rehabilitation Programs

In FY20 the City completed 30 owner-occupied housing rehabilitation projects through the CDBG, HOME and GRIP programs. Seven of those projects were housing rehabilitation grants for mobile home owners. Housing rehabilitation staff has focused on incorporating sustainable building features into projects and partners with Green Iowa AmeriCorps to complete free home energy audits prior to determining the scope of the rehabilitation project. The HOME program recently expanded to include single-family and duplex rental properties, but no applications have been received to-date.

The first South District Program homes were renovated and sold in FY20 at 1232-1234 Sandusky. Staff incorporated several sustainable improvements into the project such as solar panels, spray foam insulation, landscaping and trees, long life-cycle flooring, new windows and doors, and Energy Star rated appliances. The homebuyers were current residents of the South District neighborhood who had rented in the neighborhood for a combined total of 21 years.

The UniverCity program continued this year with additional rehabilitation of a duplex property at 520 N. Dodge Street. The property is now available for sale. There is a one-bedroom unit on the first level and an efficiency unit on the second level. A buyer would have the opportunity to live in one unit and rent out the other, or because the home is in a neighborhood commercial zone, the owner could have a neighborhood business on the first floor. 322 Douglass Court was also purchased for the UniverCity program in FY20 and is currently under renovation. A total of 68 homes, with an investment of over \$3 million in rehabilitation, have been renovated and sold through the program since 2011.

CDBG and HOME Housing Projects

FY20 marked the completion of a HOME Tenant-Based Rent Assistance (TBRA) program administered by the Iowa City Housing Authority, which provided rent assistance over a period of four years to a total of 29 households. HOME rental rehabilitation projects were completed by Successful Living and the Housing Fellowship serving five persons with disabilities and four other households under 60% AMI. Three affordable properties were acquired with HOME assistance by Mayor's Youth Empowerment Program

(MYEP) and Successful Living which provide housing for 11 persons with disabilities. Shelter House used HOME funding for the acquisition of permanent supportive housing that serves five individuals. Habitat for Humanity acquired, constructed and sold three homes.

In FY20 the City was also able to secure a waiver from HUD to increase the Community Housing Development Organization (CHDO) operating funds for the Housing Fellowship from \$22,000 to \$48,000 to maintain staffing levels during the pandemic as they experienced a substantial drop in rental income. This increase in operational funds will continue for FY21.

Riverfront Crossings Affordable Housing Requirement & Tax Increment Financing

In June 2016 the City adopted an affordable housing requirement in the Riverfront Crossings District where new developments zoned Riverfront Crossings with more than 10 units must provide affordable housing equivalent to 10% of the total units in the development. At the end of FY20, this requirement had created 42 affordable rental units to those at or under 60% of median income.

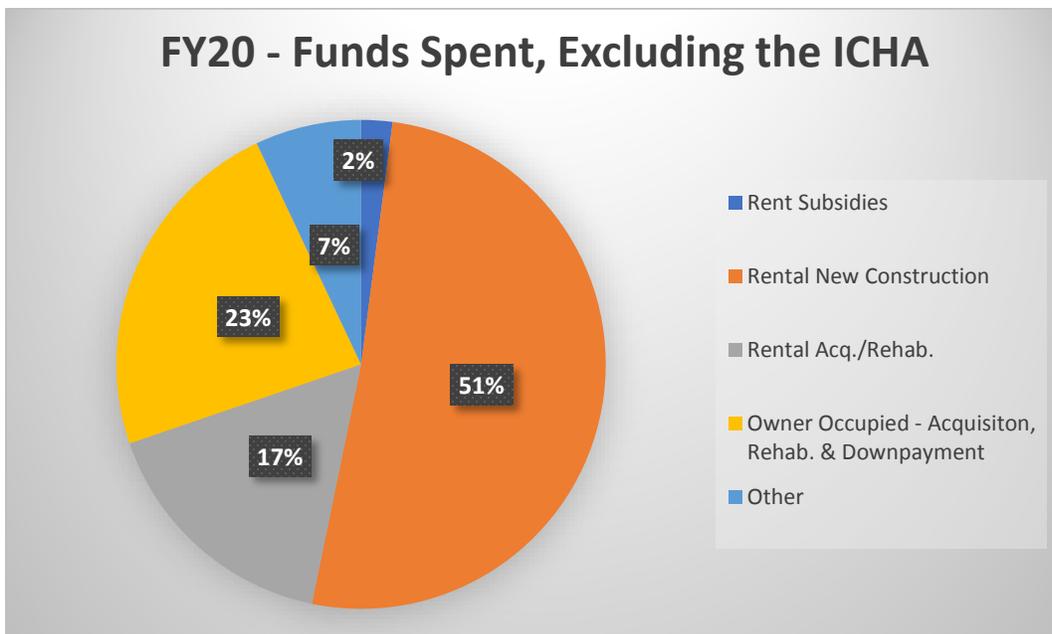
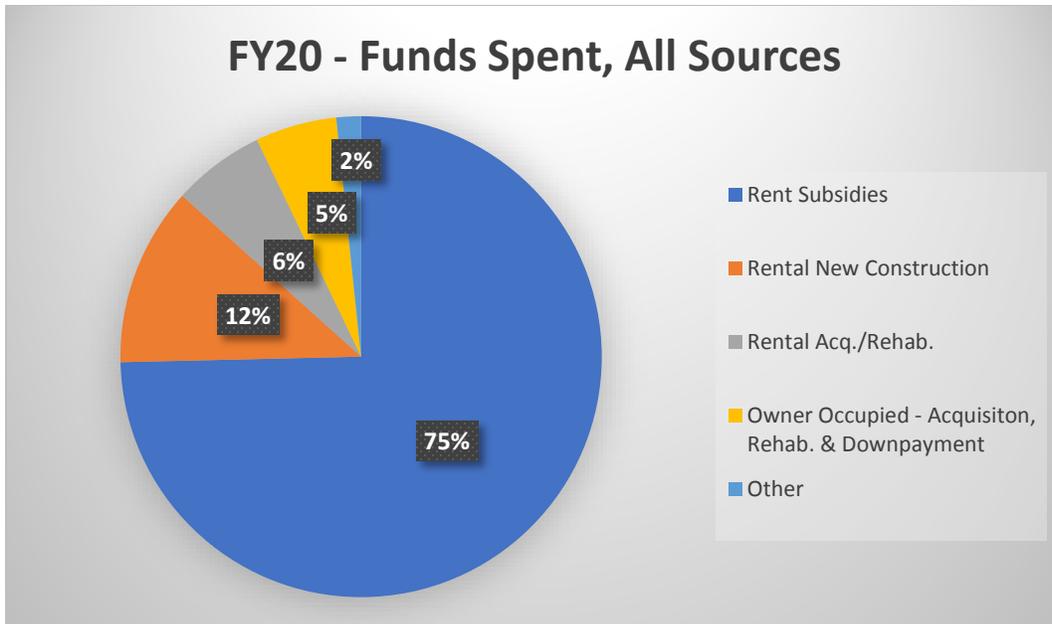
Developers may also pay a fee-in-lieu per unit if they don't provide on-site units. To date the City has received \$756,244 in fee-in-lieu payments for five units, plus repayment for a non-compliance issue. These funds are available for affordable housing opportunities within the Riverfront Crossings District.

Tax increment financing supported the creation of 24 additional affordable rental units that are within their compliance period during FY20. The Rise also committed to 33 units of affordable housing in perpetuity due to a local requirement to purchase the property in the Riverfront Crossing District.

Summary of Balances Carried Over to FY21 Available for Allocation:

Fund/Source	Amount Carried over to FY21	Note:
Opportunity Fund (Former Land Banking Fund)	\$595,000	
Low Income Housing Tax Credits	\$190,000	Administered through the Housing Trust Fund. \$380,000 available for the FY21 LIHTC funding round.
Riverfront Crossings Fee in Lieu Payments	\$756,244	May only be used in the Riverfront Crossings District.
ICHA Affordable Housing Fund	\$420,000	Reserved for the development/acquisition of low-income replacement housing units.
Total:	\$1,961,244	

For reference the following pie charts demonstrate the percentage of FY20 funds spent by funding category:



The City will continue our affordable housing efforts in FY21. The focus in FY21 will be to support our COVID19 response to enable low income residents (under 80% AMI) to maintain their existing housing and create and implement those regulatory changes that provide a diversity of housing in all the City's neighborhoods. The City hopes to approve and implement the South District Form Based Code in the fall of 2020, amend the Riverfront Crossing Form Based Code and initiate a Comprehensive Plan

amendment that will encourage more density and a diversity of housing in low density single family residential zones.

The City will continue to support our COVID housing relief efforts with contracts entered or initiated at the end of FY20 and start of FY21 with CommUnity Crisis Services, Shelter House and the Center for Worker Justice. The City Council recently gave the City Manager authority to increase funding to these programs administratively, up to 1.5 times the original allocation, when needed.

The attached spreadsheet outlines the programs, projects and initiatives created or supported in FY20 under their most relevant goal. Many of the projects serve more than one goal but are only reported in one location.

City staff will be present at your September 15 work session to review the City's affordable housing efforts and to answer questions.