

# HOUSING AND EQUITY IN IOWA CITY

Investigating Trends of Housing Inequality in the  
Iowa City Metropolitan Area

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## EXECUTIVE SUMMARY

Rising income inequality can lead to inequitable access to housing because fewer low and middle income residents can afford the market rate prices. In Iowa City, this is driven by the demand from students wishing to live near UI campus. This area of increased renter demand has been dubbed, the University Impact Area.

The City of Iowa City's strategic plan has the stated goal of creating becoming more inclusive, and the comprehensive plan envisions diverse and affordable housing in all neighborhoods—old and new. In anticipation of greater income inequality, the City asked for an investigation to examine trends of housing inequality in the community and develop recommendations that will help the City in its neighborhood stabilization efforts and achieve its goal to maintain healthy neighborhoods that appeal to diverse populations.

The report has three components: a historic narrative of housing in Iowa City, a collection of Iowa City stakeholder perspectives, and a series strategies from comparable and innovative cities.



### Key Points

#### *Historic Narrative*

- University of Iowa more than doubled in size since the early 1960
- A shift to renter occupied housing near the University Impact Area
- Overall population growth in the metropolitan area
- Increasing diversity and racial concentrations

#### *Developers Perspective*

- Planned development processing is costly
- Neighborhood opposition, NIMBYism, is a challenge
- Partnerships are needed moving forward

#### *Opportunities*

- Allow more flexibility for housing types in existing neighborhoods
- Educate the community about the benefits of a diverse neighborhood
- Encourage partnerships between developers and non-profits in the affordable housing community

#### *Strategies and Comparative Cities*

Strategies uncovered in Portland, Madison, Seattle, and Ann Arbor yielded the most potential for applicability to the affordable housing problem in Iowa City. The report focused on three key areas to examine:

- Using tax abatement for affordable housing
- Becoming proactive and competitive with Low Income Housing Tax Credits (LIHTC)
- Creating a land bank program for affordable housing

## INTRODUCTION



*An historic Iowa City home near the downtown and the University of Iowa campus. Source: Eric Hawkinson.*

## Background

Iowa City consistently appears in the ranks of lists for “Best Small Towns”<sup>1</sup> and “Best Places to Live.”<sup>2</sup> It boasts a vibrant culture that is greatly augmented by the University of Iowa (UI). The downtown and UI campus have grown in an interconnected manner, which allowed for a highly walkable and robust city center teeming with shops, restaurants, bars, galleries, and music venues. Despite its high scores on quality of life rankings, Iowa City is not immune to the problem of inequitable access to affordable housing.

Rising income inequality can lead to inequitable access to housing because fewer low and middle income residents can afford the market rate prices that are driven by top earners. Geoff Fruin, Assistant City Manager of the City of Iowa City, believes that affordable housing is “key to maintain healthy neighborhoods that appeal to diverse populations.”<sup>3</sup> Within this context, preserving, creating, and funding affordable housing is a key component for having healthy, inclusive neighborhoods.

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<sup>1</sup> Outside Magazine. 2015. *The 16 Best Places to Live in the U.S.* August 18.

<http://www.outsideonline.com/2006426/americas-best-towns-2015>.

<sup>2</sup> Livability. 2015. *Top 100 Best Places To Live.* <http://www.livability.com/best-places/top-100-best-places-to-live/2015>.

<sup>3</sup> Fruin, Geoff. 2015. *Equity and Housing Project Description.*

Data obtained from the Census, the U.S. Department of Housing and Urban Development (HUD), and other source indicates that the City has an inadequate supply of affordable housing to accommodate the ever-growing needs of its residents. HUD's Comprehensive Housing Affordability Strategy data set (2008-2012 CHAS) states that Iowa City has a total of 2,815 owner households with a housing cost burden greater than 30 percent of their income (1,075 of which have a cost burden greater than 50 percent of their income). It also reports that Iowa City has a total of 8,390 renters who have a housing cost burden greater than 30 percent of their income, (5,810 of which have a cost burden greater than 50 percent of their income). In an attempt to account for the strong student population, this report also excluded householders aged 24 and under to find that there are still 4,233 cost burdened renters in Iowa City.<sup>4</sup>

As a college town, Iowa City has seen many of its core neighborhoods reshaped by rising demand for student housing near the campus and downtown area. Market forces have led to a greater share of student-oriented housing downtown and more suburban development. Moreover, between 2000 and 2012, the number of families in poverty within the urban area increased from 1,038 to 1,684,<sup>5</sup> and very little affordable housing is available for these low-income households. CHAS data for 2007-2011 reported that of the 7,100 households in Iowa City earning less than 30 percent of HUD-adjusted Median Family Income (HAMFI), there were only 895 affordable rental units.<sup>6</sup> The 2008-2012 data showed a rise of 165 households earning less than 30 percent HAMFI and the supply of affordable units has not improved. Furthermore, the limited housing that has accommodated low-income groups over the last two decades has led to greater concentrations of poverty and more racial segregation.<sup>7</sup>

We believe it is important to understand to a greater detail the need for affordable housing in Iowa City. Policy makers are better able to act strategically when the goals are clearly stated. The following table breaks down the need for affordable rentals by area median income and level of cost burden. These figures were captured from the 2014 Census.

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<sup>4</sup> U.S. Census 2014

<sup>5</sup> Ralston, K. (2015). *Update to the 2007 Affordable Housing Market Analysis for the Iowa City Urbanized Area*. Iowa City: Metropolitan Planning Organization of Johnson County.

<sup>6</sup> Low-income owner data were not available for housing affordability at 30 percent of the HAMFI.

<sup>7</sup> Anthony, J. (2014). *Analysis of Impediments to Fair Housing Choice*. Iowa City: University of Iowa Public Policy Center.

**Table 1- Number of Affordable Units Needed by Level of Income and Cost Burden**

<b>Iowa City Cost Burdened Renters by AMI and Percentage Income, 2014</b>			
<b>AMI</b>	<b>30-50 Percent</b>	<b>&gt;50 Percent</b>	<b>Total</b>
<b>0-25</b>	602	5,264	5,866
<b>25-60</b>	2,013	912	2,925
<b>60-90</b>	241	0	241
<b>90-120</b>	9	0	9
<b>Total</b>	<b>2,865</b>	<b>6,176</b>	<b>9,041</b>

*The area median income (AMI) is typically split up by 30, 50, and 80. However, the data obtained from the latest census did not neatly split at those levels. Still, this gives a picture of the areas of need for the City of Iowa City in regard to rental housing. Additionally, this data does not exclude students. However, we know that there are 4,833 cost burdened householders under the age of 25, most of which have a cost burden greater than 30 percent. Even subtracting this group from the equation, there are still over 4,000 cost burdened renters. Source: ACS 2014 5-year estimate.*

### **What is Affordable Housing?**

In this report, affordable housing is defined as housing units for households paying no more than 30 percent of income toward housing, and also with incomes under 80 percent area median income (AMI). The City of Iowa City limits beneficiaries for certain programs to households in this category.

There are also different levels of income that fall under the definition of affordable housing. The 2015 Community Development Block Grant (CDBG) guidelines designate the poverty level for persons making 30 percent of the AMI, and define low-income as persons making 50 to 80 percent of the AMI. An increasingly important factor in this housing discussion is workforce housing, which is defined as housing that is affordable for persons at the 80-120 percent of the AMI level.<sup>8</sup>

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<sup>8</sup> Fruin, G. (2015, November 10). Healthy Neighborhoods Discussion. Iowa city, Iowa, United States of America.

## Purpose of this Report

In anticipation of a trend of increased income inequality, the City of Iowa City asked for an investigation to examine trends of housing inequality in the Iowa City Metropolitan Area and develop recommendations that will help the City in its neighborhood stabilization efforts and achieve its goal to maintain healthy neighborhoods that appeal to diverse populations.<sup>9</sup>

“We’re not so different than the statewide or national trends,” said Tracy Hightshoe, Neighborhood Services Coordinator for the City of Iowa City, speaking about housing and equity problems. “It’s happening here too, maybe not to the scale it is happening in other cities. But it’s happening here.”<sup>10</sup>

This report first aims to trace what occurred over the past 35-50 years in the Iowa City area.<sup>11</sup> The University Impact area— a City-created boundary around neighborhoods that are in close proximity to the University of Iowa campus— is of particular importance for this study. Map 1 (page 4) shows the University Impact Area in relation to Iowa City neighborhoods.

A narrative about housing and income trends is expected to help inform stakeholders and foster a conversation that may lead to potential housing and equity solutions. In addition to presenting data findings and observed changes, the narrative also draws insight from interviews with key stakeholders in the community. The second part of the report provides a broader view of the problem by including the perspectives from key stakeholders (developers, non-profits, and public officials). The goal was to begin shaping a shared agenda for the City to undertake and begin uncovering opportunities for immediate action. Finally, an examination of strategies from comparable cities provides insight on strategies applicable to Iowa City’s goals and challenges.

To focus our efforts on achieving the goals of equity and inclusion desired by Iowa City for this report we produced and relied on the following vision statement:

**Inclusive housing is the footprint to ensure residents have access to basic human needs for shelter and security, while fostering the ability for families and individuals to enhance relationships and achieve a sense of belonging and respect in their neighborhoods.**

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<sup>9</sup> Fruin, Geoff. 2015. *Equity and Housing Project Description*.

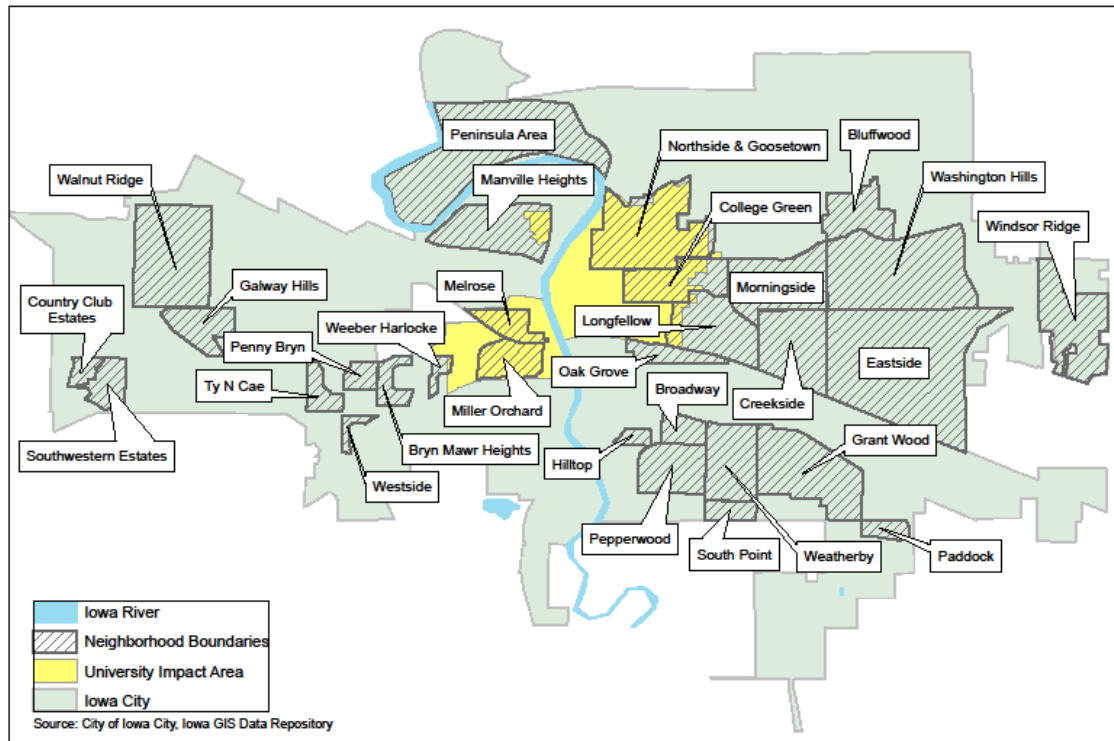
<sup>10</sup> Hightshoe, T. (2015, September 17). Equity and Housing Discussion. (E. Hawkinson, Interviewer)

<sup>11</sup> Much of this report has a 35-year time frame because Census-tract-level data for Iowa City were not available pre-1980. The tract data are needed to create consistent maps of overall change. Other findings trace back to the early 1960s.



## Map 1- The University Impact Area 2013

### Iowa City Neighborhoods and the University Impact Area



*This map of Iowa City shows where neighborhoods are in relation to the University Impact Area. Source: City of Iowa City, Iowa GIS Repository, U.S. Census Bureau.*

## METHODOLOGY

The investigation began with research to determine housing problems specific to Iowa City. This research included collecting statistical information from the U.S. Census Bureau, the American Community Survey (ACS), HUD, and the National Historical Geographic Information System (NHGIS).

Also, interviews were conducted with various community stakeholders including:

- Jim Throgmorton, Iowa City Mayor (Date: 9/22/15)
- Tracy Hightshoe, Neighborhood Development Coordinator for the City of Iowa City (Date: 9/17/15)
- Stan Laverman, Housing Inspector for the City of Iowa City (Date: 9/24/15)
- Mark Nolte, President of the Iowa City Area Development Group (Date: 9/24/15)
- Sally Scott, Johnson County Affordable Homes Coalition (Date: 10/1/15)
- Mark Patton, Iowa Valley Habitat for Humanity (Date: 11/15/15)
- Maryann Dennis, Housing Fellowship (Date: 11/9/15)
- Tracey Achenbach, Executive Director for Housing Trust Fund of Johnson County (Date: 11/17/15)
- Joe Hughes, Director of Real Estate Operations, South Gate Company (Date: 1/25/16.)
- Steve Gordon, Manager, AM Management (Date: 1/25/16)
- Jesse Allen, Owner, Allen Homes (Date: 2/7/16)
- Casey Cook, Cook Appraisal (Date: 3/1/16)
- John Yapp, Development Services Coordinator, The City of Iowa City (Date: 2/4/2016)
- Doug Boothroy, Director of Neighborhood and Development Services, The City of Iowa City (Date: 2/4/2016)

The first phase of this report proceeds from this research to present an historical narrative of change in housing and income distribution in the Iowa City Metropolitan Area. This phase of the report also includes a description of the different tools and strategies the City of Iowa City employs to preserve, create, and fund affordable housing.

Phase two of the report involved interviews with developers, non-profits, and city planners in an attempt to build consensus on the key barriers to affordable housing in Iowa City. Developers were contacted via email and those interested in participating set up times for interviews. Their comments do not reflect the views of all developers in Iowa City. Phase two also included a review of different city policies, strategies, and programs that impact housing and equity. After interviewing professionals in selected comparable cities, we examined strategies that were most applicable to Iowa City. Applicability was determined by the extent to which the strategy achieved a goal similar to those expressed in Iowa City's comprehensive plan for housing, and to which the strategy addressed an issue similar to those raised by key stakeholders in Iowa City.

## IOWA CITY: CHANGES OVER TIME

The Iowa City area has witnessed substantial population growth since 1960. According to data from the U.S. Census Bureau and ACS, the Metropolitan Area— which in this report includes the incorporated cities of Iowa City, Coralville, North Liberty, University Heights, and Tiffin<sup>12</sup>— reached 102,169 people in 2013. Iowa City grew from 33,443 residents in 1960 to 67,862 in 2010, and there has also been considerable growth in neighboring Coralville, North Liberty, and Tiffin.<sup>13</sup>

**Table 2- Population Growth in the Iowa City Metropolitan Area, Johnson County, and the State of Iowa**

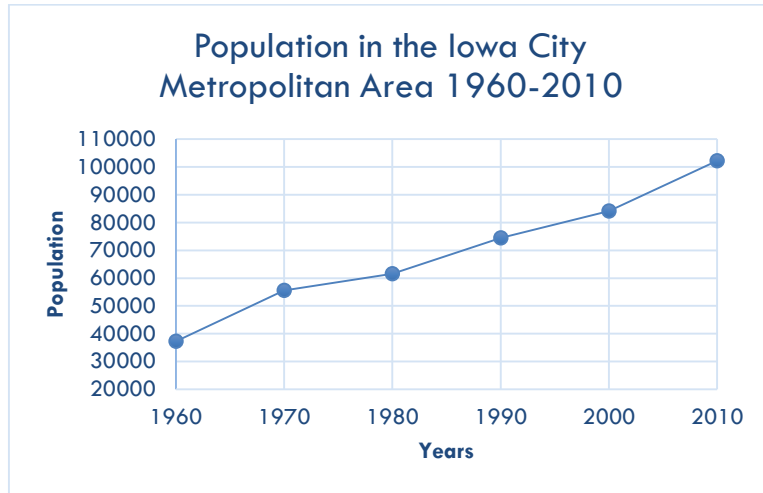
Year	Coralville	Iowa City	North Liberty	Tiffin	University Heights	Johnson County	Iowa
1960	2,357	33,443	334	311	841	53,663	2,757,537
1970	6,130	46,850	1,055	299	1,265	72,127	2,824,376
1980	7,687	50,508	2,046	299	1,069	81,717	2,913,808
1990	10,347	59,738	2,926	413	1,042	96,119	2,776,755
2000	15,123	62,220	5,367	460	987	110,006	2,926,324
2010	18,907	67,862	13,374	975	1,051	130,882	3,047,646

*Source: U.S. Census Bureau (1980-2010 Decennial Censuses)*

<sup>12</sup> The Metropolitan Area in this study is a more restrictive than the commonly-used Metropolitan Statistical Area (MSA), which encapsulates areas across Johnson and Washington Counties.

<sup>13</sup> U.S. Census Bureau (1980-2010 Decennial Censuses)

**Figure 1- Population Growth in the Iowa City Metropolitan Area**



The Metropolitan Area includes Coralville, Iowa City, North Liberty, Tiffin, and University Heights. Source: U.S. Census Bureau (1980-2010 Decennial Censuses)

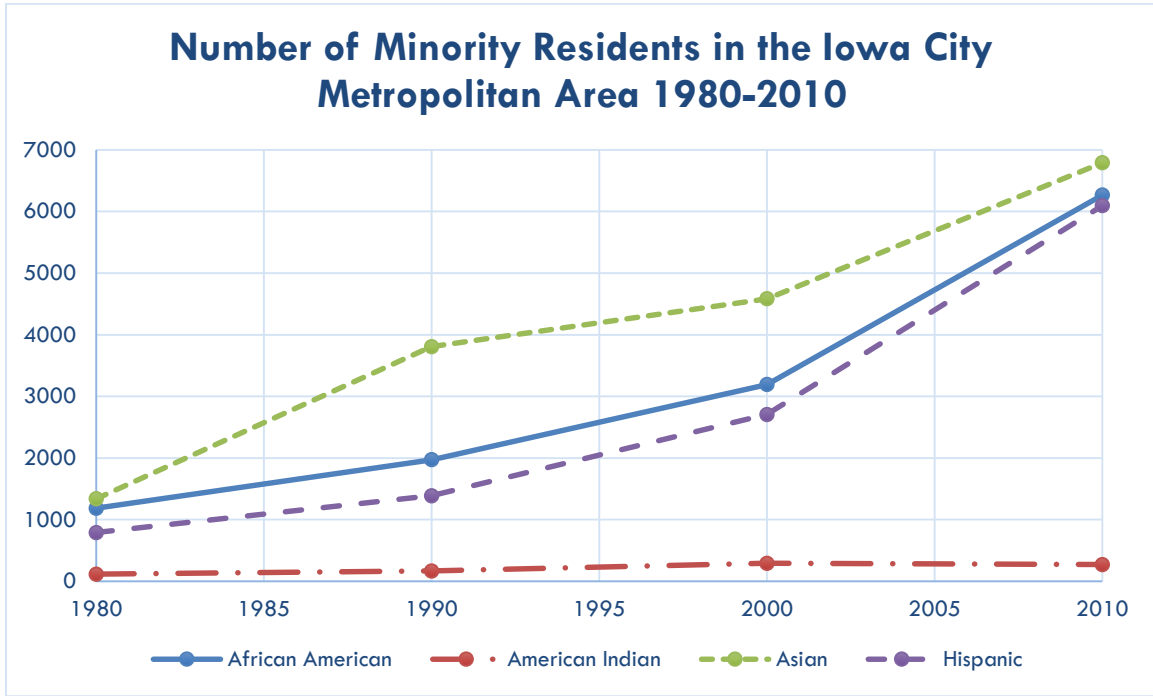
Demographic data gathered from NHGIS, ACS and the U.S. Census show that the Iowa City Metropolitan Area has become increasingly diverse, beginning in the 1980s. Table 3 shows the change in the number and percentages of persons classified in different minority groups in the Metropolitan Area since 1980. As expressed in Figure 2, between 1980 and 2010, the Metropolitan Area gained 5,082 African American residents, 5,452 Asian residents, and 5,303 Hispanic residents.

**Table 3- Racial Demographic Change for the Iowa City Metropolitan Area**

Racial Demographics for the Iowa City Metropolitan Area 1980-2010										
	White		African American		American Indian		Asian		Hispanic	
	#	%	#	%	#	%	#	%	#	%
<b>1980</b>	70,458	93.8	1,184	1.8	115	0.1	1,337	2.1	790	0.0
<b>1990</b>	80,623	91.2	1,971	2.3	166	0.2	3,806	4.1	1,387	1.6
<b>2000</b>	86,601	86.7	3,191	3.2	292	0.3	4,584	4.5	2,707	2.6
<b>2010</b>	94,665	78.7	6,266	5.6	271	0.2	6,789	5.6	6,093	4.9

This table breaks down residents by percent and number for each race. While the Iowa City Metropolitan Area is still largely Caucasian, this trend changed over the past 30 years. The figures do not add up to 100 percent because this table does not include the remaining other races. Source: NHGIS (1980-1990), U.S. Census Bureau (Census Decennial 2000-2010).

Figure 2- Minority Residents in the Iowa City Metropolitan Area 1980-2010



This graph shows the number of minority residents in the Iowa City Metropolitan Area between 1980 and 2010. Source: NHGIS 1980-1990, US (Census Decennial 2000-2010).

## Population Growth and Land Use Change in the Corridor



*This map shows the eastern Iowa Corridor, which contains Iowa City metropolitan communities along Interstates 80 and 380. Source: Google Maps.*

As shown in Map 2 on page 11, much of the new overall population growth has occurred in areas associated with “the Corridor”—Coralville and North Liberty. These suburban communities are located along the highway corridor of Interstate 380 that connects Iowa City and Cedar Rapids.

Nationally, the decentralization of cities and the rise of suburban living occurred in a post-WWII society that revised the American way of life. It was a time of rapid growth in car ownership and expansion of highway infrastructure. However, John Kain of Harvard University said it was also a time that included “cheap credit, favorable mortgage loan terms, accumulations of savings, rapid family formation, the post war baby boom, favorable tax treatment, and strong preference for home ownership.”<sup>14</sup> This trend has also occurred in the Iowa City area, though less drastically than in other cities.

Jim Throgmorton, Mayor of Iowa City, says suburban growth patterns in Coralville and North Liberty minimize access for residents.

“The Iowa City core is a grid pattern, but the outer ring is full of curly cues and cul-de-sacs,” Throgmorton said. “So on the edges you have reduced connectivity.”<sup>15</sup>

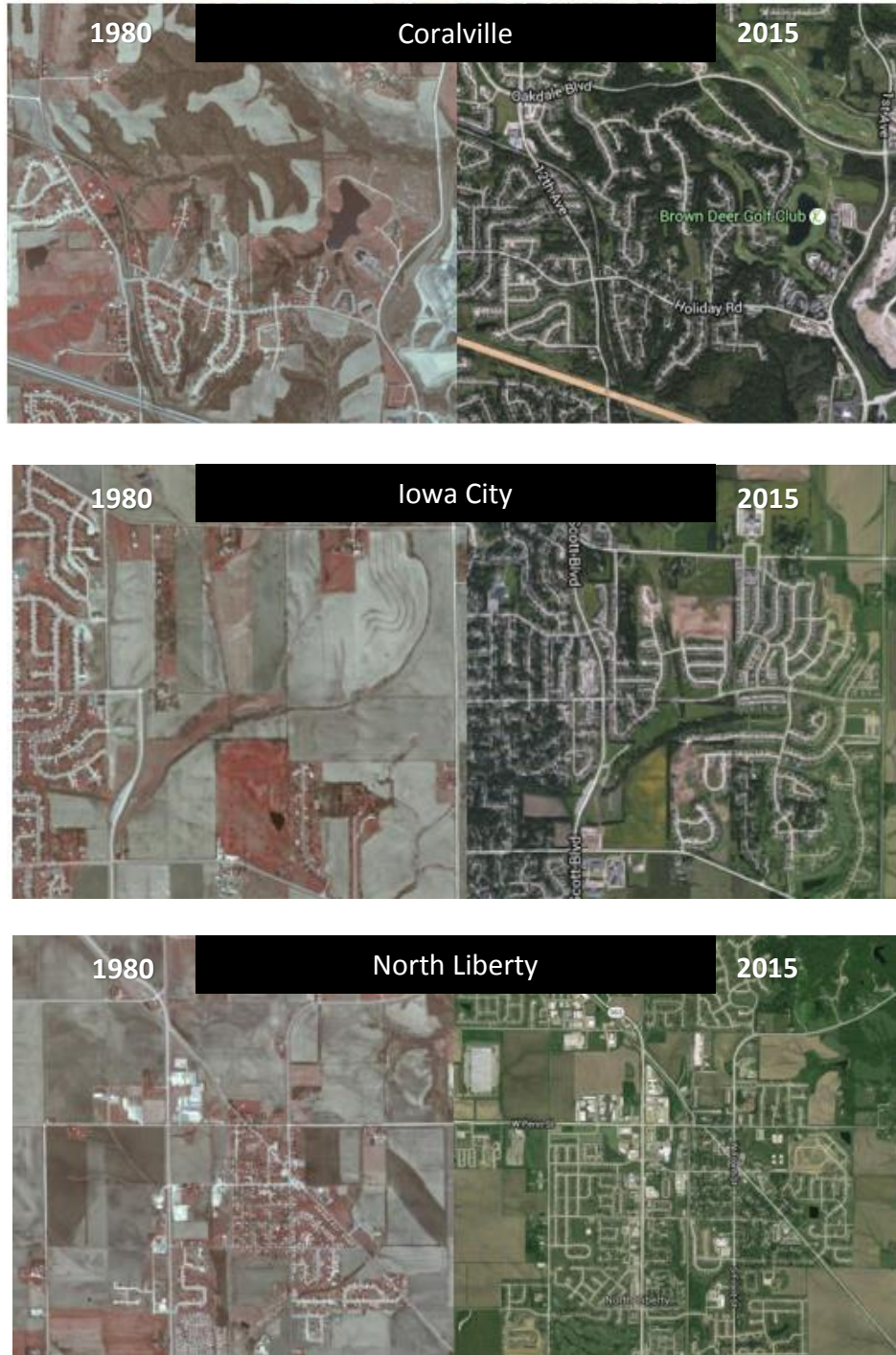
Figure 3 on the following page highlights a series of aerial photographs of the Metropolitan Area between 1980 and 2015. The photographs reveal the suburban-style residential patterns (cul-de-sacs and winding neighborhood roads) that occurred in Coralville, North Liberty, and parts of Iowa City.

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<sup>14</sup> Kain, John. (2000). As Reported in: *Do Highways Matter?* The Brookings Institution Center on Urban and Metropolitan Policy.

<sup>15</sup> Throgmorton, J. (2015, September 22). Equity and Housing. (E. Hawkinson, Interviewer)

**Figure 3- Aerial Photographs of the Iowa City Metropolitan Area 1980-2015**

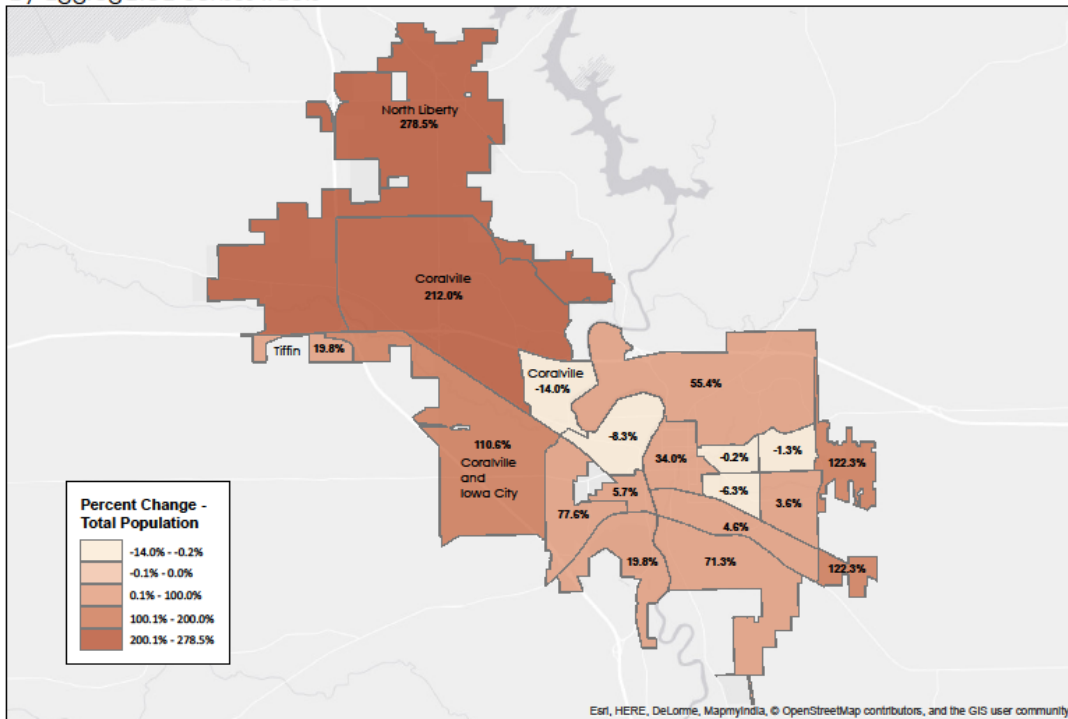


*These aerial photographs of the same areas in Coralville, Iowa City, and North Liberty show the change in urban form over the past 35 years. The pictures on the left were taken in 1980, while the picture of the same areas on the right were taken in 2015 (Source: Iowa Geographic Map Server, Google Maps).*

Some of this suburban development was spurred by rapid population growth. The map in Map 2 applied census data to show the areas with the largest percentage growth in population. Coralville and North Liberty both experienced over a 200 percent increase in population between 1980 and 2013. High-growth census tracts in both communities welcomed between 5,856 and 12,224 new residents. The few areas of marginal population decline (decreasing 0.2-6.3 percent) are located within or near the University Impact Area. These areas of marginal population decrease overlap with some of the historic Iowa City neighborhoods— such as Manville Heights, Longfellow, and College Green— which are partly in the University Impact Area. It should be noted that between 1980 and 2010, Iowa City gained more residents in total than both North Liberty and Coralville, however the baseline number was higher in 1980, which limits the percentage change visible in Map 2.

### Map 2-Total Population Change 1980-2013

Percent Change in Total Population for Iowa City Metropolitan Area: 1980 - 2013  
by aggregated census tracts



*This map shows the spatial relationship of total population change across the Iowa City Metropolitan Area. Significant growth occurred in suburban areas of Coralville and North Liberty. This map does not include University Heights. (Source: ACS 5-year estimate, NHGIS and US Census Decennial).*



This period also ushered in great change in owner-occupied housing. As shown in Map 3 (page 13), in conjunction with the rapid increasing population, aggregated tracts in North Liberty experienced a 316 percent increase in owner-occupied housing from 1980 to 2013. This happened simultaneously as Iowa City’s historic core neighborhoods were hollowed out by large reductions in owner-occupied housing units. Data from the 2013 ACS show these areas are heavily concentrated in rentals. In census tracts 11, 16, and 21— which overlap the University Impact Area— rental units constitute 84.4 percent, 93.8 percent, and 98.6 percent of all dwelling units respectively.

The high concentration of rentals in this area has altered the look and feel of these neighborhoods, which were originally exclusively single-family owner-occupied homes. Many of the homes in tracts bordering the University Impact Area were built before 1960.<sup>16</sup> The rising demand for student housing, coupled with delayed dorm construction on campus, contributed to applied-pressure on these older neighborhoods within the University Impact Area. The reasons for pressure exerted on these neighborhoods, and the results, are explained more fully in the following section of this report titled *The University Impact Area*.

**Table 4- Changes in Owner and Renter-Occupied Housing Units near Iowa City’s University Impact Area**

<b>Changes in Number and Percentage of Owner-Occupied Compared with Renter-Occupied Housing Units in Census Tracts Bordering the University Impact Area, 1980-2010</b>				
	Owner-Occupied		Renter-Occupied	
	#	%	#	%
<b>1980</b>	3955	39	6004	59
<b>1990</b>	3865	34	7388	64
<b>2000</b>	3740	31	7839	66
<b>2010</b>	3563	29	7989	66

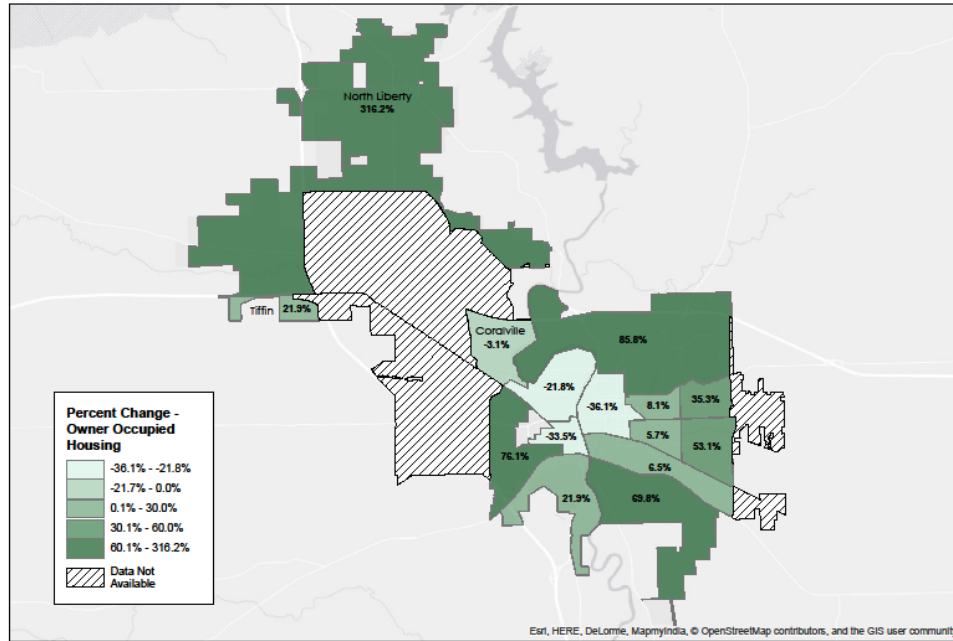
*This table shows the changes in percent, number of owner-occupied versus renter-occupied units in the census tracts bordering the University Impact Area. These numbers back up the notion that the central Iowa City neighborhoods are hollowing out in terms of owner-occupied housing Source: NHGIS (1990), US Census Bureau (2000-2010 Decennial).*

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<sup>16</sup> ACS 5-year estimates

### Map 3- Owner-Occupied Housing Change 1980-2013

Percent Change in Owner-Occupied Housing  
for Iowa City Metropolitan Area: 1980 - 2013  
by aggregated census tracts



*The pale green tracts on center of this map are within the within the University Impact Area. This same area has seen rising rates in rental occupancy since 1980. This map does not include University Heights and data for certain tracts in Coralville and Iowa City were unavailable for 1980. (Source: ACS 5-year estimate, NHGIS and US Census Decennial).*

## The University Impact Area

The UI students have a strong presence in Iowa City and have given the City an exceptionally large share of residents aged 18 to 24. Iowa City has 23,134 residents in that category, which is larger than Coralville, North Liberty, Tiffin, and University Heights combined.<sup>17</sup> It is no secret among Iowa City residents that neighborhoods in close proximity to the University of Iowa campus experience pressure from the market demand for student housing. The neighborhoods within the City's University Impact Area have been especially pressured because no new University dorms were built between 1968 and 2014, while student population rose by 11,881.<sup>18</sup> The 500 bed Petersen Hall is the most recently constructed dorm, and opened for students in the fall of 2015. The UI is currently constructing a 303,000-square-foot dorm along the Iowa River that will house 1,023 residents.<sup>19</sup> Additionally, the UI is razing Quadrangle Hall in the summer of 2016 for a loss of 358 beds.



*Petersen Hall is the most recent dorm constructed by The University of Iowa, completed in 2015 (Source: University of Iowa).*

Many students often seek housing off campus, and it has become common practice in areas near the UI campus for property owners to convert single-family homes into rental units.

A 1962 Iowa City zoning map shows that most of the properties in the University Impact Area were zoned for R3A and R3B. These zones allowed up to 44 to 58 dwelling units per acre, respectively. Bob Miklo, Senior Planner for the City of Iowa City said that most of these areas were developed with approximately 12 units per acre, and “the high density zoning encouraged the demolition of the existing housing for replacement with apartment buildings.”<sup>20</sup> This began to change the make-up of the neighborhoods within the University Impact Area. In response, the City began to implement zoning changes that reduced the density of those neighborhoods. Most recently, in 2005 the City adopted a RNS-12 zone to limit conversions of single-family homes into rental units.<sup>21</sup>

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<sup>17</sup> 2013 ACS 5-year estimate

<sup>18</sup> University of Iowa Archived Library. Annual Fall Semester Enrollment

<sup>19</sup> O'Leary, J. (2015, February 25). New 95\$ million east-side dormitory would be UI's largest. *Press-Citizen*.

<sup>20</sup> Miklo, B. (2015, December 1). Equity and Housing. (K. Garza, Interviewer)

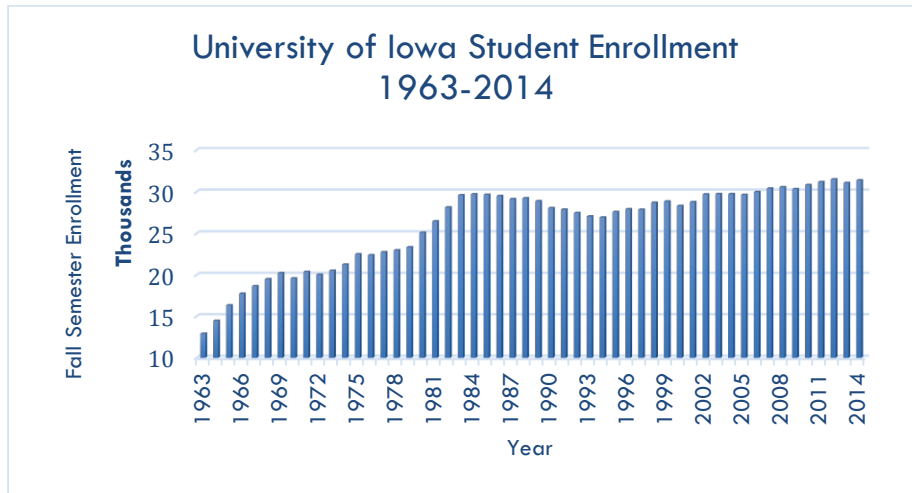
<sup>21</sup> Throgmorton, J. (2015, September 22). Equity and Housing. (E. Hawkinson, Interviewer)

“Zoning in university area neighborhoods was changed to limit occupancy and development of those previously single-family homes,” said Stan Laverman, Housing Inspector for the City of Iowa City. “[This] made it more difficult to convert to rentals.”<sup>22</sup>

Still, future rising student enrollment is expected to intensify the demand for housing in neighborhoods near campus. Student enrollment saw its greatest increase between 1963 and 1984, when it grew by 16,789 students (from 12,923 to 29,712 students). Slater Hall was the most recently constructed University of Iowa dorm at that time, completed in 1968. The UI purchased Mayflower Hall in 1983. The next dorm built by the University was Petersen Hall, which has capacity for 500 residents.

In addition to growth at the University of Iowa, the Iowa City branch of Kirkwood Community College (KCC) enrollment has reached over 3,500 students, nearly doubling the campus size in the last four years according to Dr. Dale Simon, Associate Vice President for the Kirkwood Iowa City Campus.<sup>23</sup> Because of KCC’s close proximity to the University of Iowa campus, Kirkwood students also create demand for housing in the University Impact Area. The Kirkwood Community College website encourages students to explore housing options in Iowa City, and provides a link to available units.<sup>24</sup>

**Figure 4- Graph of University of Iowa Enrollment 1980-2014**



*This graph shows The University of Iowa enrollment for each fall between 1980 and 2014. Enrollment has been considerably steady during this time, but saw most of its increase between 1980 and 1984. Source: University of Iowa.*

<sup>22</sup> Laverman, S. (2015, September 24). Equity and Housing. (E. Hawkinson, Interviewer)

<sup>23</sup> Simon, Dale. n.d. *Kirkwood Community College*.  
<http://faculty.kirkwood.edu/site/index.php?p=9711>.

<sup>24</sup> Kirkwood Community College website (Accessed 12/09/15)  
<http://www.kirkwood.edu/ichousing>

In response to the growing market demand for student housing, new apartment buildings were constructed in the neighborhoods closest to the university campus. In 1972, James A. Clark first began his realty company— Apartments Downtown Management— that, as of 2015, is the largest apartment rental provider in the Iowa City area.<sup>25</sup>



*A classic example of student apartment housing throughout core Iowa City neighborhoods Source: Apartments Downtown.*

Over the last 35 years, Clark’s company built dozens of apartment complexes within Iowa City neighborhoods. Despite the addition of this multifamily housing into residential areas near campus, vacancy is low. According to Census ACS data, 2014 rental vacancy in Iowa City was at 1.7 percent compared to 6.03 percent for the State of Iowa and 5.8 percent for the Metropolitan Area.

“The UI is intent on raising enrollment,” said Sally Scott, Affordable Housing Coalition. “And if the vacancy rate stays low, landlords can raise prices.”<sup>26</sup>

In a 2014 speech at the Iowa Memorial Union, then UI President Sally Mason discussed plans to grow the student body and said “our goal is to increase nonresident as well as resident enrollment.”<sup>27</sup>

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<sup>25</sup> Schmidt, M. (2015, August 18). Iowa City apartment landlord appeals lease ruling. *The Gazette*. pg. 1

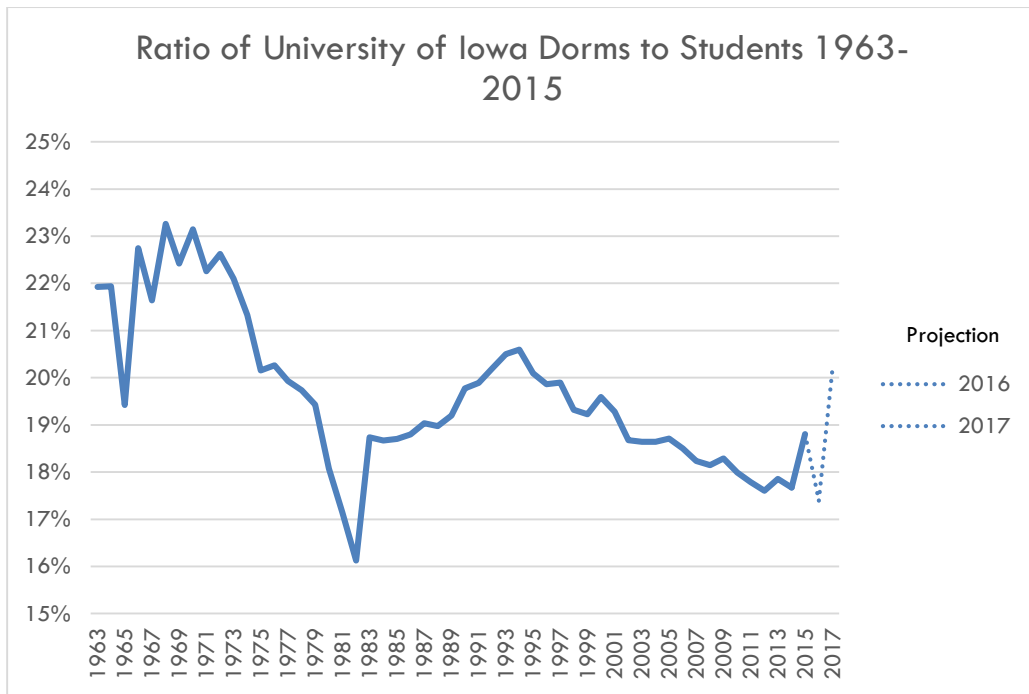
<sup>26</sup> Scott, S. (2015, October 1). Equity and Housing. (E. Hawkinson, Interviewer)

<sup>27</sup> Office of Strategic Communication. (2014, December 11). President Mason talks enrollment growth, strategy for continuing to provide a high-quality education. *Iowa Now*.

The very next fall, freshman student enrollment reached its highest level ever, with 5,241 incoming students.<sup>28</sup>

By neglecting to build dorms between 1968 and 2014, the University of Iowa helped create a situation where the private market needed to provide most of the student housing in Iowa City. Beginning in 1963, UI dorms were capable of housing 22 percent of the student population. Currently, UI dorms are capable of housing 19 percent of the student population, which as discussed earlier has more than doubled since 1963.<sup>29</sup> This phenomenon is shown below in Figure 5.

**Figure 5- Ratio of Dorms to Students**



*This graph shows that the current ratio of dorms to students is below the level of 1963, suggesting that The University of Iowa is lagging in its creation of student housing. This ratio was created by dividing dorm capacity by student enrollment, but the ratio does not take into account students who may live outside of Iowa City and Johnson County. The projection shows that, despite new dorm construction opening in 2015 and 2017, the demolition of Quadrangle dorm and the increasing enrollments yields capacity below 1960s levels. This chart assumes 500 additional students for 2016-2017. Source: University of Iowa Archived Library.*

The fact that the private market was tasked with supplying the majority of student housing has contributed to housing unaffordability in Iowa City. Within the University Impact Area, housing prices and rent have increased because of the proximity to campus, which is where students, many of whom have deep sources of income from scholarships and parents, have a high willingness to pay for housing.

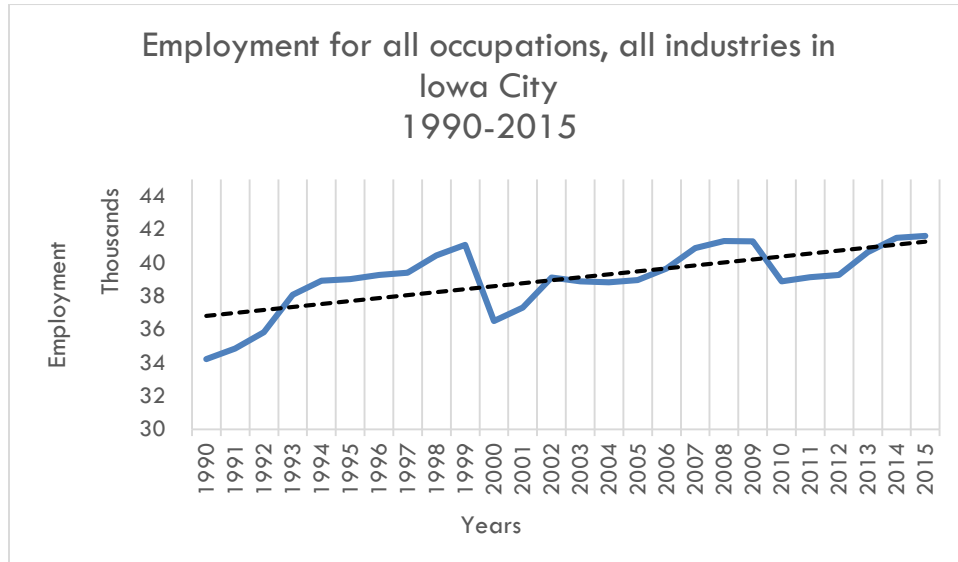
<sup>28</sup> Press-Citizen, I. C. (2015, September 9). ISU sets enrollment record; UI see largest ever freshman class. *Press-Citizen*.

<sup>29</sup> University of Iowa Archived Library. Annual Fall Semester Enrollment

## Employment and Housing

Students, however, were not the only drivers of change during this time, as it was also a time of growth in employment in Iowa City. In the last twenty-five years, the Bureau of Labor Statistics reports average annual employment grew from 34,212 jobs in 1990 to 41,605 jobs in 2015.<sup>30</sup>

**Figure 6- Graph of Employment in Iowa City 1990-2015**



*This graph shows the increasing employment trend for all jobs in Iowa City over the last 25 years (Source: U.S. Bureau of Labor Statistics).*

The University of Iowa Hospitals and Clinics began a major expansion in 1973 that lasted until 2001, forever changing the west side of campus and adding more jobs to the Iowa City labor pool.

The rise in employment did not lead to a large percentage growth of housing units in Iowa City alone. Census and ACS data suggest that between 1980 and 2013, many new units became available in Coralville and North Liberty. Map 4 shows the spatial relationship of percentage increase in housing units for the Metropolitan Area. Areas in Coralville saw a 171.5 percent increase in housing units. In Iowa City, a tract on the eastern edge of town saw a 170 percent increase in housing units.

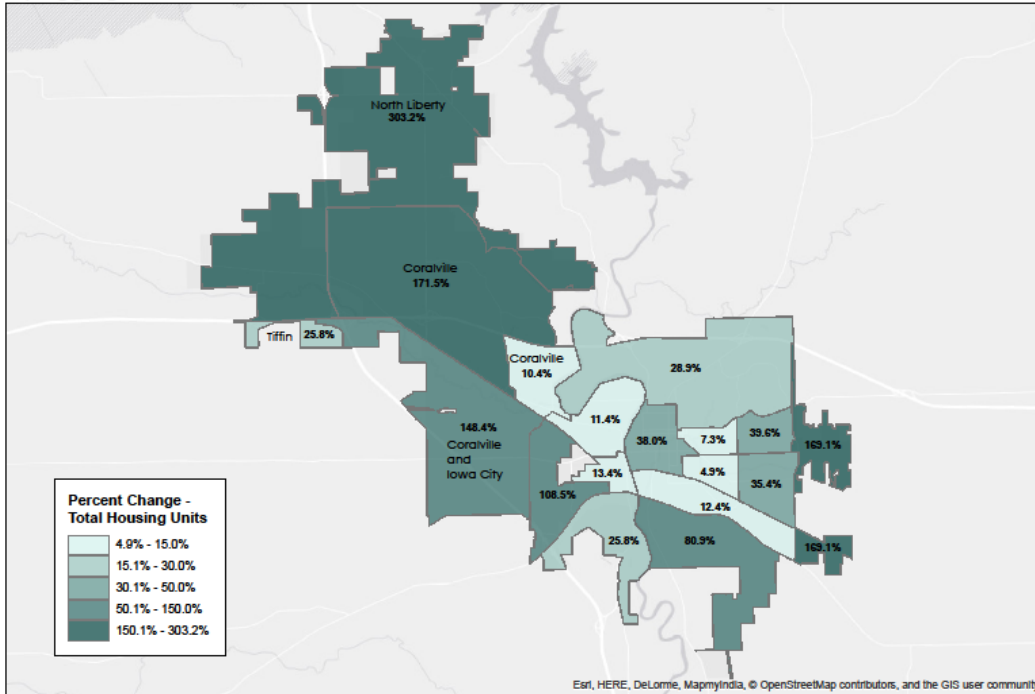
Map 5 shows that in 2015, of Iowa City's 55,309 total workers, 68 percent are in-commuters, while 32 percent live and work within Iowa City. Not everyone who works in Iowa City lives in Iowa City.

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<sup>30</sup> U.S. Bureau of Labor Statistics. Employment for all occupations, all industries in Iowa City (1990-2015).

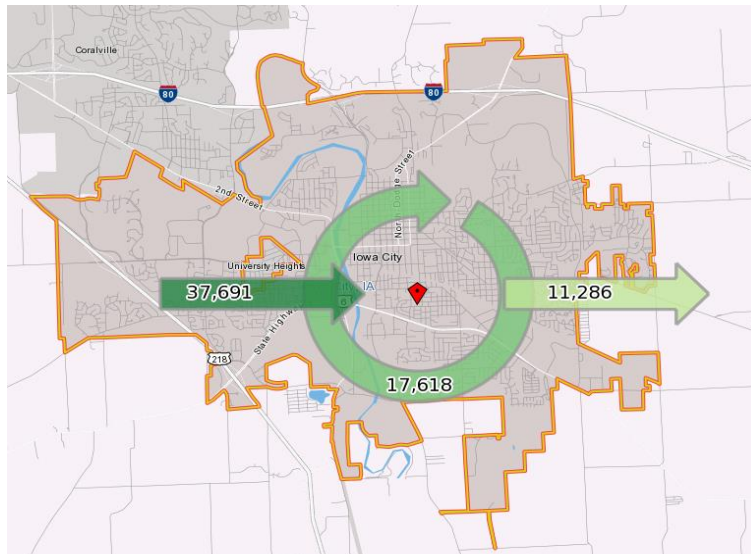
## Map 4- Change in Housing Units 1980-2013

Percent Change in Number of Housing Units for Iowa City Metropolitan Area: 1980 - 2013  
by aggregated census tracts



This map indicates large percentage growth of housing units in Coralville, North Liberty, and east Iowa City. Housing unit growth in the rest of Iowa City is lagging behind. This map does not include University Heights. (Source: ACS 5-year estimate, NHGIS and US Census Decennial).

## Map 5- Inflow/Outflow Map of Iowa City



This employment inflow/outflow map shows number of workers who commute to Iowa City, live and work in Iowa City, and live in Iowa City but work elsewhere. Source: U.S. Census Bureau (OntheMap)

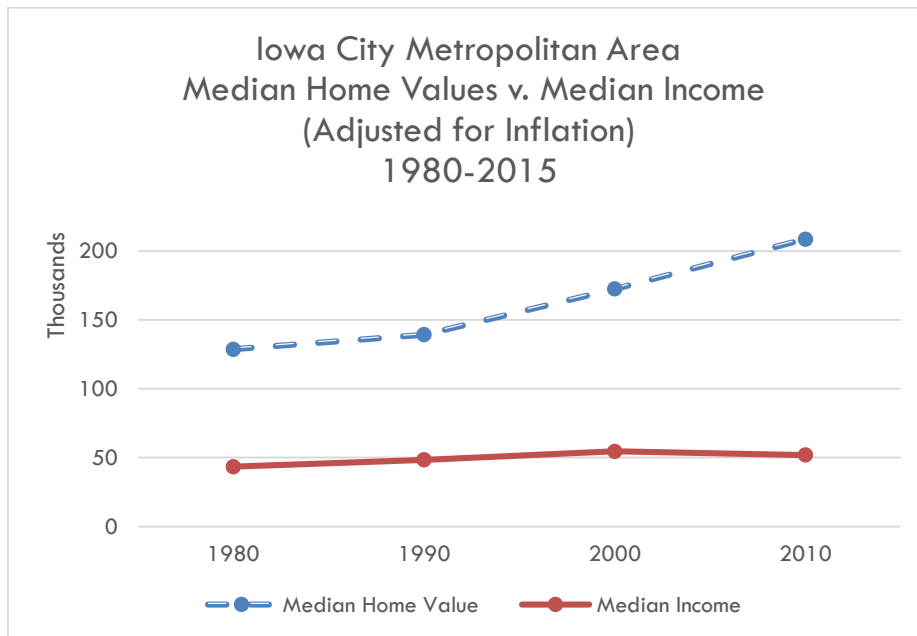


## Income and Housing

Since 1980, average median income for the Iowa City Metropolitan Area peaked in the year 2000. In 2010, the ACS reported real median income was close to levels seen in 1990 with no real growth over 20 years. This information is shown graphically in Figure 7.

“The lack of growth in income comes at a time when the cost of homes is rising,” said Sally Scott. “In the last 20 years, more and more people are 30-50 percent below median income. When that’s the case, you have very little left to manage the rest of your life.”<sup>31</sup>

**Figure 7- Graph of Median Home Values and Median Income**



*This graph shows that growth median home value is outpacing median income. In fact, since 2000, median income is decreasing. Data was adjusted for inflation using the Bureau of Labor Statistics Inflation Calculator. Source: NHGIS, ACS.*

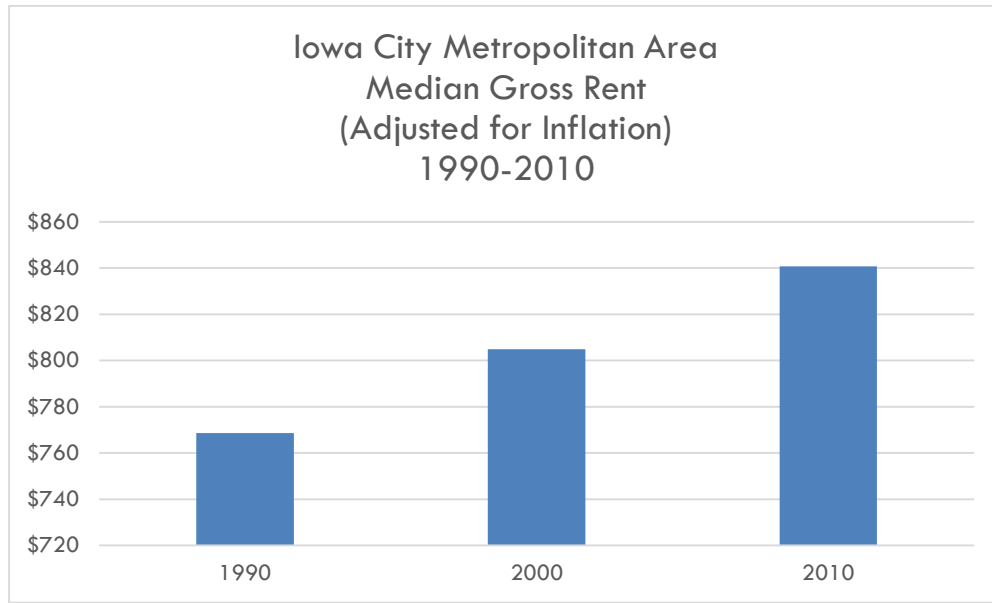
In addition, Figure 8 shows that since 1990, real median gross rent steadily increased. The City of Iowa City Consolidated Plan notes that renters, not owners, are at a higher risk of experiencing housing problems. Scott agrees. She said, “On the rental side, there’s dramatic need and the resources don’t match.”<sup>32</sup>

<sup>31</sup> Scott, S. (2015, October 1). Equity and Housing. (E. Hawkinson, Interviewer)

<sup>32</sup> Scott, S. (2015, October 1). Equity and Housing. (E. Hawkinson, Interviewer)

The 2008-2012 CHAS data shows that of the 11,735 residents in Iowa City with a housing problem, 8,795 were renters. HUD defines a housing problem as any of the following: incomplete kitchen facilities, incomplete plumbing facilities, more than 1 person per room, and cost burden greater than 30%.<sup>33</sup>

**Figure 8- Graph of Median Gross Rent**



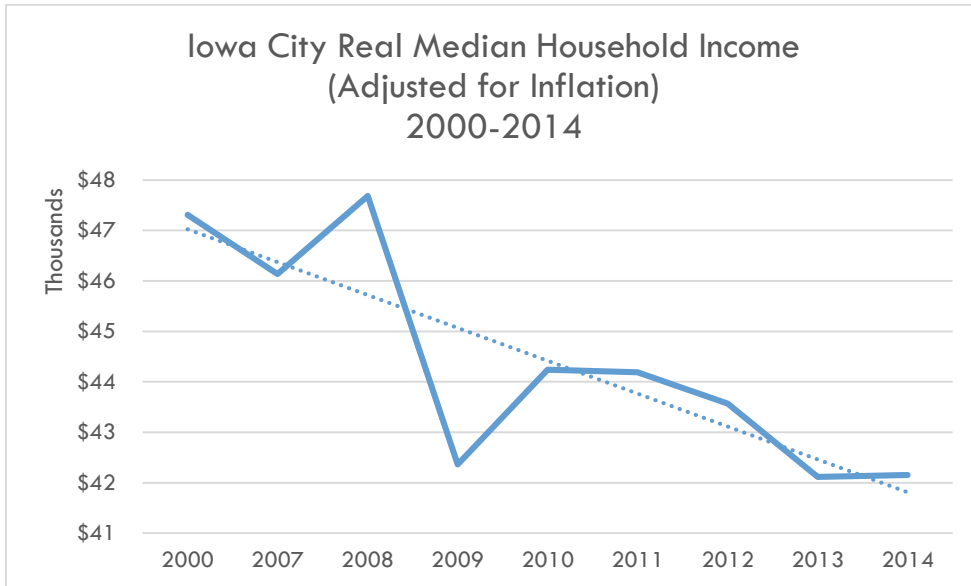
*This graph shows the rising median gross rent in the Iowa City area. Data was adjusted for inflation using the Bureau of Labor Statistics Inflation Calculator. Source: U.S. Census, ACS.*

The story is the same when looking at the same variables for Iowa City alone. Figures 9 and 10 show that on a yearly basis since the early 2000s, real median household incomes in Iowa City have been decreasing while real gross rent has been steadily increasing.

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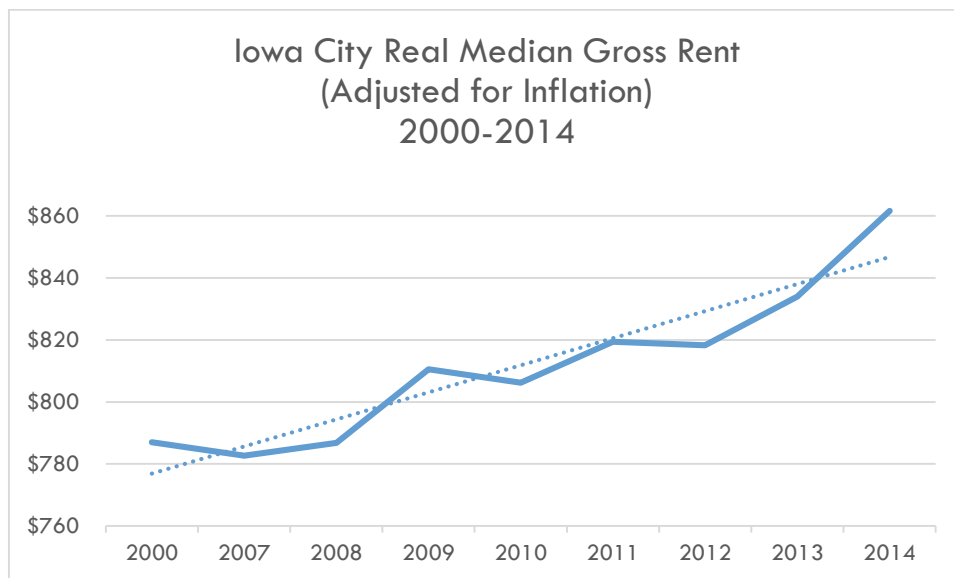
<sup>33</sup> HUD distinguishes housing problems as incomplete kitchen facilities, incomplete plumbing facilities, more than 1 person per room, and cost burden greater than 30%-50%.

**Figure 9- Declining Income in Iowa City**



*This slope is different than what is found on Figure 7 because it represents a different time period and scale. Data was adjusted for inflation using the Bureau of Labor Statistics Inflation Calculator. Source: ACS 2014 (5-year estimates)*

**Figure 10- Increasing Rent in Iowa City**

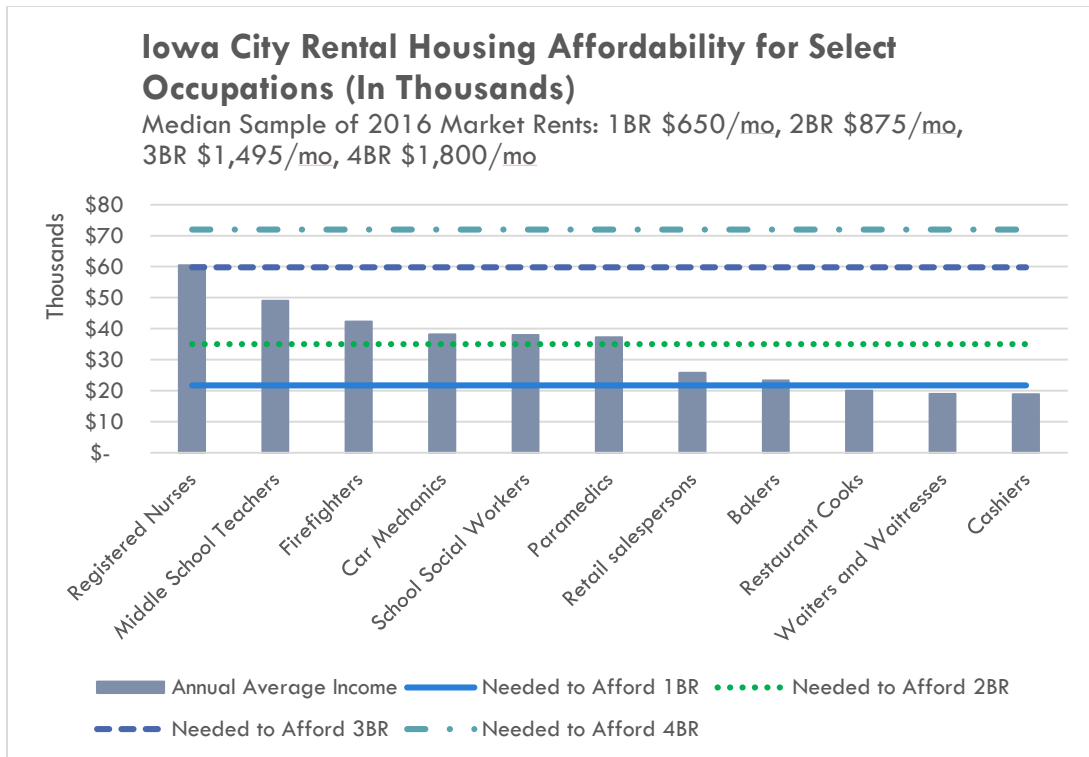


*This chart represents a different time span than Figure 8. Data was adjusted for inflation using the Bureau of Labor Statistics Inflation Calculator. Source: ACS 2014 (5-year estimates)*

The Consolidated Plan also states that, “high housing costs reduce economic opportunities and access to prosperity, especially among lower income racial and ethnic minorities in Iowa City.”<sup>34</sup>

Data also reveals that among those struggling to find affordable housing, it is the low income service workers that are the most cost burdened. As shown in Figure 11, folks that work as cooks, servers, and cashiers are unable to afford a modestly priced (\$650/month) one bedroom apartment in Iowa City without being cost burdened.

**Figure 11- Low-Income Service Workers Are Most Cost Burdened**



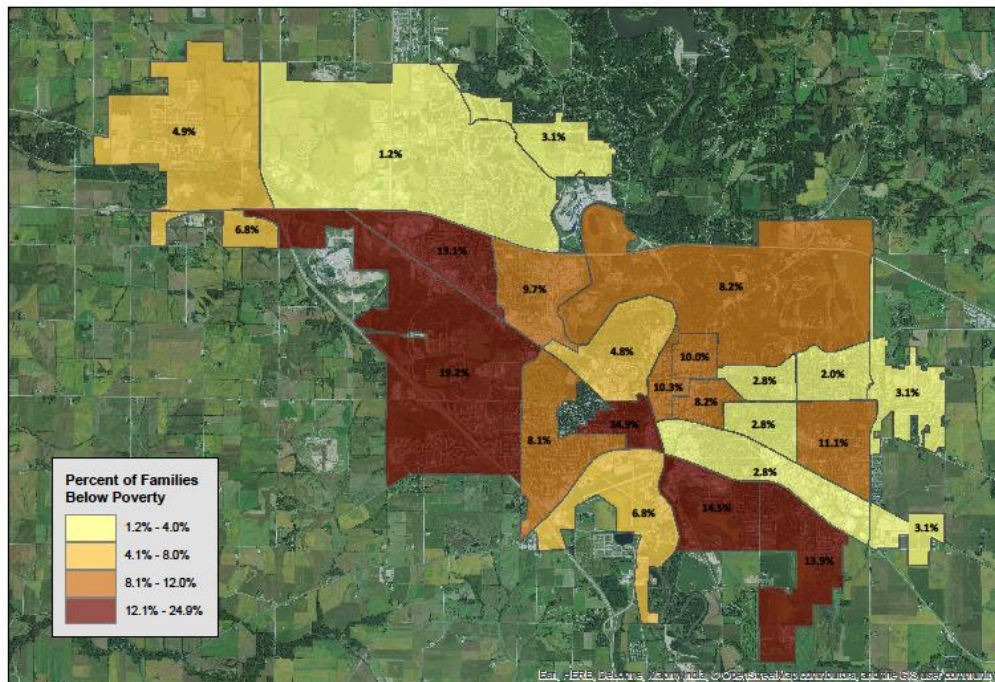
*This graph shows that workers in the service industry are unable to afford a \$650 per month apartment in Iowa City. Furthermore, it is increasingly difficult and competitive to find an apartment at that price point. Source: Bureau of Labor Statistics, Zillow, Center for Housing Policy.*

<sup>34</sup> Neighborhood and Development Services Department of Iowa City. (2015). *City Steps: Iowa City's Five Year Consolidated Plan for Housing, Jobs, and Services for Low-Income Residents*. Iowa City: Neighborhood and Development Services Department of Iowa City.

Through data mapping, one can see where adversely affected residents are located. Map 6 (below) shows that compared with other parts of the Iowa City area, census tracts on the southeast side have relatively high percentages of families living below poverty. There is also a high percentage (19.2 percent) of poor families living in a tract on the west side. This tract contains a large student-housing complex as well as a low-income housing project, Pheasant Ridge, which hosts a large number of recent immigrants from Jordan and the Sudan.<sup>35</sup> Currently, Iowa City has an estimated 1,100 Sudanese residents, and that number is expected to grow in the coming years.<sup>36</sup>

### Map 6- Families below Poverty 2013

Iowa City, Coralville, Tiffin: Percent of Families Below Poverty - 2013  
by Census Tract



*This map shows the percent of families below poverty. A high percentage of poor families are located on the southeast side, which is also where many minority populations live. This map does not include University Heights. Source: ACS 5-year estimate, NHGIS and US Census Decennial.*

<sup>35</sup> Neighborhood Centers of Johnson County. 2004. *Pheasant Ridge Neighborhood Center*. April 29. Accessed November 2015.  
[http://myweb.uiowa.edu/makyea/mopoyo\\_samples/mopoyo\\_websamples/ncjc/centers/pheasant\\_ridge.htm](http://myweb.uiowa.edu/makyea/mopoyo_samples/mopoyo_websamples/ncjc/centers/pheasant_ridge.htm).

<sup>36</sup> Davis, Andy. "Iowa City Council candidate Profile." *Press-Citizen*

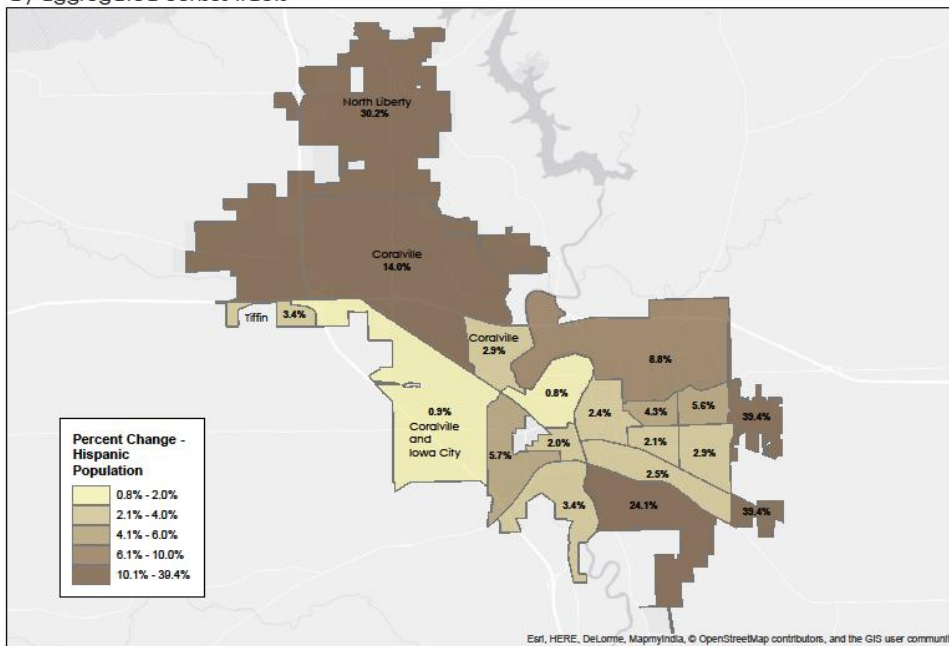
## Diversity and Housing

As growth took place in overall population, student enrollment, and employment, Iowa City was becoming more diverse than ever before. Census data (shown in Table 3) indicates that in 1980, Iowa City had a population that was 1.8 percent African American, 0 percent Hispanic, and 2.1 percent Asian. Thirty years later, Iowa City had a population that was 5.6 percent African American, 5 percent Hispanic, and 5.6 percent Asian.

Maps 7 and 8 show that communities in Coralville and North Liberty saw large percentage growth of both African American and Hispanic populations, due to the fact that there were very few minorities there in 1980. In Iowa City, most of the Hispanic population moved into census tracts 1, 18, and 105— all of which are located on the periphery of the Iowa City boundary.

### Map 7- Hispanic Population 1980-2013

Percent Change in Hispanic Population for  
Iowa City Metropolitan Area: 1980 - 2013  
by aggregated census tracts

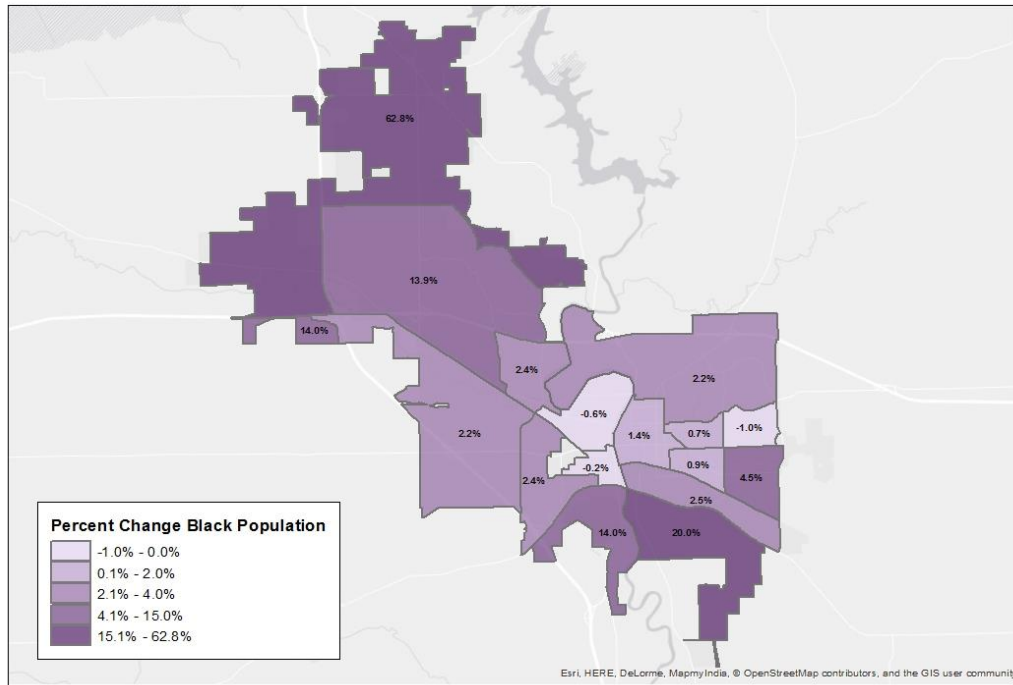


*Much of the population change for Hispanics in Iowa City has occurred in the east and southeast side. The large percentage growth in Coralville and North Liberty is skewed because of the miniscule number of Hispanics there in 1980 and 1990. Source: ACS (2013), NHGIS (1980-1990), and US Census Decennial (2000-2010).*

## Map 8- African American Population 1980-2013

### Percent Change in Black Population: 1980 - 2013

by aggregated census tracts



*Similar to the Hispanic population, a larger percentage of African Americans located in the southeast side of Iowa City. The large percentage growth in Coralville and North Liberty is skewed because of the miniscule number of African Americans there in 1980 and 1990. Source: ACS (2013), NHGIS (1980-1990), and US Census Decennial (2000-2010).*

According to Robert Gutsche, author of *A Transplanted Chicago*, between 1980 and 2000 there was an outward migration of poor minorities who were leaving the City of Chicago. Many of these people scattered across other Midwestern cities such as Madison (Wisconsin), Bloomington (Indiana), and Iowa City.<sup>37</sup>

Similar to the Hispanic population, much of the African American population became concentrated in low-income neighborhoods on the southeast side of Iowa City, segregated from the rest of the community. However, contrary to prevailing belief, this result was not planned.

“The reason affordable housing is on the southeast side has to do with market forces and the desire to be in a niche,” said Throgmorton. “People tend to locate around people they relate to.”<sup>38</sup>

<sup>37</sup> Gutsche, R. (2014). *A Transplanted Chicago*. McFarland and Company, Inc., Publishers. p. 19

<sup>38</sup> Throgmorton, J. (2015, September 22). *Equity and Housing*. (E. Hawkinson, Interviewer)

Throgmorton also dispelled the myth that the City concentrated Section 8 housing on the southeast side.<sup>39</sup> He said Section 8 housing is dispersed throughout the region in accordance with population.<sup>40</sup> Gutsche backs up this notion of dispersion, but still sees a vital flaw in that approach. He wrote in *A Transplanted Chicago* “Often, the apartments, rooms, and houses that accept Section 8 are in majority minority neighborhoods and developments that were constructed solely to house the poor.”<sup>41</sup> In January 2016, the Iowa City City Council passed an ordinance that prohibits discrimination on whether a renter is a Section 8 recipient.<sup>42</sup>

In 2011, the City of Iowa City approved the Affordable Housing Location Model as a response to the problem of increasing concentrations of poverty in pockets throughout the City. While the Model was successful in preventing new assisted rental housing from being built in these areas of existing poverty and minority concentration, a major critique is that it was not supplemented with incentives for the market to build affordable units elsewhere.<sup>43</sup>

While certain low-income minority groups continue to struggle from the lack of available affordable housing, the growing Asian population is having a markedly different experience with the Iowa City housing market. As noted earlier, census data shows there is a substantial percentage (5.2 percent) of Asians living in the Iowa City area now compared to 1980.

“One in ten students are coming from Asia, putting pressure in areas you wouldn’t expect,” said Stan Laverman, Housing Inspector for the City of Iowa City. “A lot of these students are creating a demand for high-end apartments.”<sup>44</sup>

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<sup>39</sup> Section 8, also known as Housing Choice Vouchers, is a form of federally-funded rental housing assistance where a public housing agency pays landlords a subsidy on behalf of its low-income recipients.

<sup>40</sup> Throgmorton, J. (2015, September 22). Equity and Housing. (E. Hawkinson, Interviewer)

<sup>41</sup> Gutsche, R. (2014). *A Transplanted Chicago*. McFarland and Company, Inc., Publishers. pg. 21

<sup>42</sup> Fruin, G. (2016, February). Healthy Neighborhoods Discussion. Iowa city, Iowa, United States of America.

\*Fruin also states that the Iowa City Council is expected to vote on a new ordinance that prohibits discrimination based on Section 8. This vote is expected to occur in January 2016.

<sup>43</sup> Anthony, J. (2013). *Increasing Affordable Housing in Iowa City*. Iowa City: University of Iowa Public Policy Center. pg. 6

<sup>44</sup> Laverman, S. (2015, September 24). Equity and Housing. (E. Hawkinson, Interviewer)



## Market Forces

Low-income southeast Iowa City areas— that include neighborhoods such as Wetherby, Pepperwood, Grant Wood, and South Point— were originally built post-WWII for middle-class families, but over the years such areas began to lose investment and property values did not keep pace with the rest of the City. A rental unit in the University Impact Area has an assessed value of \$114,520 while a rental unit (of comparable square footage) on the southeast side of Iowa City has an assessed value of \$51,750.<sup>45</sup> Because of cheaper land costs, prior to the Affordable Housing Location Model, the southeast side became a feasible location for the market to provide low-income housing units.<sup>46</sup>

Still, housing advocates in Iowa City agree that there is still not enough supply of affordable housing to fulfill the growing need. High costs in land acquisition and construction places new housing development beyond the financial budgets of most affordable housing developers.<sup>47</sup> This is something that Iowa City developers view as a major barrier to the creation of affordable housing. Developers Joe Hughes from Southgate, Steve Gordon from AM Management, and Jesse Allen from Allen Homes all agreed in interviews that the cost of land in Iowa City has been increasing, especially in the downtown and campus area.

“It’s the demand for land and the price of land that is really making it really difficult to build affordable housing downtown,” Hughes said. “The numbers don’t really work out without subsidies from the government to build affordable housing.”<sup>48</sup>

In the areas where it is financially feasible to purchase land for affordable housing, seeking public funding for the project are limited by the Affordable Housing Location Model. Maryann Dennis and Mark Patton, Executive Directors for the Housing Fellowship and Habitat for Humanity respectively, cited the Affordable Housing Location Model as a major barrier to the creation of affordable housing.<sup>49</sup>

The 2007 Affordable Housing Market Analysis done by Mullin Lonergan Associates determined the total affordable housing need by taking the difference between the total affordable housing demands and the supply of total affordable housing units. Housing demand was based on the number of households with housing problems, such

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<sup>45</sup> Iowa City Assessor . (2015, December 10). *Parcel Search*. Retrieved from Iowa City Assessors: <http://iowacity.iowaassessors.com/search.php>

<sup>46</sup> Throgmorton, J. (2015, September 22). *Equity and Housing*. (E. Hawkinson, Interviewer)

<sup>47</sup> Mullin Lonergan Associates . (2007). *Affordable Housing Market Analysis*. Iowa City: City of Iowa City; Planning and Community Development. Pg. 93-94

<sup>48</sup> Hughes, J. (2016, January). *Equity and Housing* (E. Hawkinson, Interviewer)

<sup>49</sup> Patton, M. & Dennis, M. (2016, January). *Equity and Housing* (K. Garza, Interviewer)

as; 1.) Incomplete kitchen facilities, 2.) Incomplete plumbing facilities, 3.) More than one person per room, and 4.) Cost burden greater than 30%. Between the years 2000-2012, the total housing demand amounted to 5,450 housing units.<sup>50</sup> The total supply of affordable housing during the same period was 2,711 units, which left an affordable housing need of 2,739 units.<sup>51</sup>

“Supply is a huge problem. There’s not enough growth in affordable homes, and there is an increased need,” Scott said. “There’s a gap between what people earn and the cost of living.”<sup>52</sup>

Not only do low-income residents potentially lack affordable housing, but Mark Nolte, President of the Iowa City Area Development Group, believes Iowa City lacks enough housing to support its growing workforce.

“We lack housing stock for young professionals, those who work in manufacturing, etc.” Nolte said. “Companies can’t succeed without workers and if workers can’t afford to live in Johnson County then the whole economy struggles.”<sup>53</sup>

Alex Schwartz, author of *Housing Policy in the United States*, expressed how market forces can strain the supply of affordable housing:

*The lack of housing affordable to the lowest income renters reflects above all the inability of the private housing market to produce and maintain low-cost housing without public subsidy. The rents collected from housing affordable to the lowest income households are often simply too low to cover the cost of maintenance, debt service, and taxes, to say nothing of profit for the investors.*<sup>54</sup>

Nolte expressed in an interview that a strain in affordable housing is, in part, occurring in Iowa City. He said the market is responding to who and what will pay the most, so it is “building student rental housing and developing suburban neighborhoods.”<sup>55</sup> The student rental market is very lucrative to developers.<sup>56</sup> The average monthly rent for new student rental units far exceeds what a working family could afford to pay.<sup>57</sup>

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<sup>50</sup> Mullin Lonergan Associates . (2007). *Affordable Housing Market Analysis*. Iowa City: City of Iowa City; Planning and Community Development. Pg. 10

<sup>51</sup> *Ibid* at 10. Updated information is being pursued over Christmas break in order to provide an updated analysis. In addition, this section will be supplemented with a table.

<sup>52</sup> Scott, S. (2015, October 1). Equity and Housing. (E. Hawkinson, Interviewer)

<sup>53</sup> Nolte, M. (2015, September 24). Equity and Housing . (E. Hawkinson, Interviewer)

<sup>54</sup> Schwartz, Alex. *Housing Policy in the United States*. Pg. 38-39

<sup>55</sup> Nolte, M. (2015, September 24). Equity and Housing . (E. Hawkinson, Interviewer)

<sup>56</sup> Mullin Lonergan Associates . (2007). *Affordable Housing Market Analysis*. Iowa City: City of Iowa city; Planning and Community Development. Pg. 94

<sup>57</sup> *Ibid* at 94

“Unless the public sector creates incentives or mandates, this trend will continue,” Nolte said.<sup>58</sup>

According to Schwartz, such trends most often does not lead to more equitable housing, but rather leads to problems for low-income tenants and property owners who wish to maintain affordable homes. He stated:

*Owners of the affordable low-income housing that does exist are all too frequently left with two choices: gradually disinvest until the property becomes uninhabitable or reposition the property for higher income tenants.<sup>59</sup>*

Chris Villhauer, Director of Property Management for South Gate Development Company in Iowa City, said at a public event that it can be difficult for developers to construct affordable housing, but also noted that it can be done. With funding from the City of Iowa City, Community Development Block Grants, and private investors, Villhauer said that South Gate was able to rehab a low-income housing complex and maintain its below market-rate price.

“The costs are high for the developers,” Villhauer said. “We need to find a way to bridge the gap.”<sup>60</sup>

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<sup>58</sup> Nolte, M. (2015, September 24). Equity and Housing . (E. Hawkinson, Interviewer)

<sup>59</sup> Schwartz, Alex. *Housing Policy in the United States*, Pg. 39

<sup>60</sup> Villhauer, C. (2015, October 5). Panel on Affordable and Accessible Housing . Iowa City: Iowa City Public Library.

## WHAT HAS BEEN DONE IN IOWA CITY

### Introduction

Iowa City's 2014-2015 Strategic Plan Status Report highlights five city objectives for the community. These objectives are; 1.) To foster a more inclusive and sustainable city by developing a strong urban core, 2.) Healthy neighborhoods, 3.) A solid financial foundation, 4.) Enhancing communication and marketing, and 5.) Engaging in strategic economic activities.<sup>61</sup> Amongst these five city objectives, Geoff Fruin, who is the Assistant City Manager believes that developing healthy neighborhoods contributes towards the success of its other community goals.<sup>62</sup>

According to the City of Iowa City, healthy neighborhoods<sup>63</sup> are created by, "providing core services to neighborhoods in a manner that enhances overall stability and maintains the intended character while facilitating new opportunities to improve the quality of life."<sup>64</sup> Healthy neighborhoods contribute to the foundation of nearly every other city objective. Healthy neighborhoods support economic development by attracting and retaining a skilled workforce to live within Iowa City. Having healthy neighborhoods within the University Impact Area helps build upon the vibrancy within that area. Healthy neighborhoods provide a mix of residents that support the downtown area's diverse retail offerings and services. Healthy neighborhoods improve social connections that lead to the increased wellness of residents.<sup>65</sup> Healthy neighborhoods facilitate stronger communication between city and public, which leads to a stronger government.<sup>66</sup>

### Overview of Affordable Housing Providers

Affordable housing should be situated in desirable places to live – such as close proximity to employment hubs, parks, public transit, city services, and other amenities. For Iowa City, the most ideal place to live for many people is the downtown area.

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<sup>61</sup> City of Iowa City. (2015). *2014-2015 Strategic Plan Status Report*. Iowa City: City of Iowa City. Pg. 11. The City council is currently updating its strategic plan and this report will be taking into account changes made in next semester's report.

<sup>62</sup> Fruin, Geoff. 2015. *Equity and Housing Project Description*.

<sup>63</sup> The city does not have a definition that defines "healthy neighborhoods", but rather lists a set of characteristics that make up "healthy neighborhoods".

<sup>64</sup> City of Iowa City. (2015). *2014-2015 Strategic Plan Status Report*. Iowa City: City of Iowa City. Pg. 11.

<sup>65</sup> Fruin, G. (2015, November 10). Healthy Neighborhoods Discussion. Iowa city, Iowa, United States of America

<sup>66</sup> *Ibid.*

Prevailing market forces decrease the viability of affordable rate housing.<sup>67</sup> As such, this section of the report will focus on the major providers of affordable housing in Iowa City. These organizations are summarized in Table 5 below and in the following sections detailed information is provided in terms of how these organizations preserve, create, and fund affordable housing.

**Table 5- List of Affordable Housing Providers in Iowa City**

List of Affordable Housing Providers in 2015			
Organization/Program	Housing Related Services	# Served (Since program began)	Funding Received <sup>68</sup>
<b>Low Income Housing Tax Credit</b>	The Low Income Housing Tax Credit program is a HUD tax incentive program that is used by private developers to build affordable housing units.	Since 1986, 341 low-income units have been built.	Funding is received by the Iowa Finance Authority.
<b>The Iowa Workforce Housing Tax Credit Program</b>	This program is an economic development tool administered by the Iowa Economic Development Authority and designed to assist communities in providing affordable housing.	Since 2014, 12 workforce units have been constructed. Another 31 units are in the works for 2016.	Funds are administered by the Iowa Economic Development Authority.
<b>Iowa City Housing Authority</b>	The Iowa City Housing Authority provides information and education, housing assistance, and public and private partnership opportunities.	Since 1969, 81 low-density units and 1,272 households have been assisted with rental assistance.	Combination of CDBG, HOME, housing choice vouchers and locally raised funds.

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<sup>67</sup> Mullin Lonergan Associates . (2007). *Affordable Housing Market Analysis*. Iowa City: City of Iowa city; Planning and Community Development. Pg. 93-95.

<b>Single New Family Construction</b>	Homeownership program in which the City administers the program through the Iowa Economic Development Authority.	Since 2009, 141 single-family detached homes have been constructed.	Funds is provided by the Iowa Economic Development Authority.
<b>UniverCity Neighborhood Partnership Program</b>	The UniverCity Neighborhood Partnership Program focuses on neighborhoods located near the University campus that retain a single family character and demand for single-family housing, but that also have a large renter population. When possible, homes are sold to homeowners under 80% of median income.	Since 2010, the City has purchased 56 homes and sold 43.	Funding comes from local City funds.
<b>Iowa City Rehabilitation Program</b>	The City's housing rehabilitation program provides zero-interest loans and/or grants to homeowners seeking to make repairs to their homes.	Data prior to 2001 is unavailable. Since then, 20-30 owner-occupied housing projects rehabilitated annually.	Combination of CDBG, HOME, and GRIP funding.
<b>General Rehabilitation and Improvement Program</b>	The GRIP program provides low interest loans to income eligible homeowners to rehabilitate their homes.	Since 2007, 50 homes have been assisted financially.	Funding comes through Iowa City general obligation bonds.
<b>Iowa Valley Habitat for Humanity</b>	Iowa Valley Habitat for Humanity is a nonprofit community organization that engages in constructing, rehabilitating, and preserving affordable units.	Since 1994, there has been 48 new single-family units, 5 rehabilitated units, and about 40 home repairs.	Combination of HOME, CDBG, private bank loans, and charitable donations. Around \$50,000-\$100,000 yearly funds in corporate sponsorship and \$100,000 in sales from their ReStore.

<b>Iowa City Housing Fellowship</b>	Iowa City Housing Fellowship is a nonprofit community based housing organization that is a certified Community Housing Development Organization (CHDO). This program Rehabilitates and constructs new affordable housing units.	Since 1990, 72 rehabilitated units and 93 new construction units have been completed.	Combination of HOME, CDBG, private bank loans, and charitable donations.
<b>The Housing Trust Fund of Johnston County</b>	The Housing Trust Fund of Johnston County is a nonprofit community organization incorporated in 2002 to address lack of affordable housing by providing financial assistance for affordable housing purposes.	Since 2002, 392 households have been served through rental assistance, home repairs, below market loans, and grants.	Funding is received from the State Housing Trust Fund Program, which is authorized by the Iowa Finance Authority. State Legislature appropriates all funds.

*The table above summarizes the major organizations that directly address the lack of affordable housing in Iowa City. It identifies the number of households that have been served since their creation as well as how they are funded.*

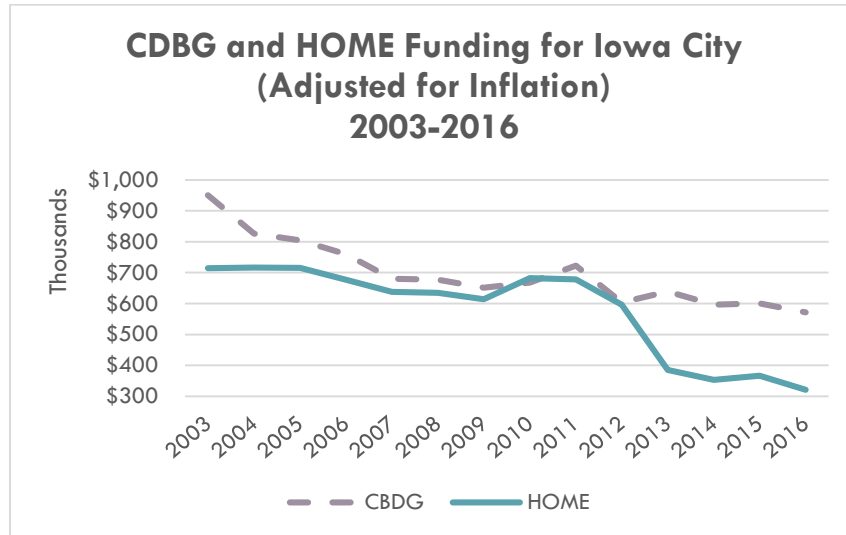
### **Preservation of Affordable Housing**

Many affordable housing units are created through the use of federal funds such as CDBG and HOME. CDBG is a federal funding program that is available for communities to address community and economic development needs. CDBG funds are available to communities on an annual basis. In regards to affordable housing, CDBG funds should be used in ways that produce the highest levels of affordability possible.<sup>70</sup> If extra CDBG funds exist, communities can save these funds between interim periods provided they are still eligible to receive funding. However, there is a limited amount of CDBG funds available, so Iowa City must establish priorities for which projects have the greatest needs.

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<sup>70</sup>*Ibid* at Pg. 199

**Figure 12- Declining Federal Funding**



Since the early 2000s, Federal funding for housing programs has dramatically decreased in Iowa City. Source: HUD

The HOME Investment Partnerships Program aims to provide local communities with funding for building, buying, and rehabilitating affordable housing. Like CDBG funding, HOME funds are awarded annually as formula grants and can be tailored to create direct loans, loan guarantees or other forms of credit enhancements. HOME funds are designed specifically to create affordable housing for low-income families.<sup>71</sup> The funds can be used for both rent and homeownership and can be used to provide rental assistance to low-income households.<sup>72</sup> As with CDBG funding (shown above in Figure 12), there is increasingly limited HOME funds available to Iowa City.

In exchange for federal subsidies, property owners are required to keep a certain portion of their units at affordable rates for a period of time, usually 15 to 20 years.<sup>73</sup> When the agreement period ends, owners have the option to either convert their units to market rate prices or reenroll in an affordability program. In the absence of preservation, affordable housing units that were created through public funds have been “timing-out” since the 1990s.<sup>74</sup> According to the National Low Income Housing Coalition, there are 535 affordable units that are at risk for market rate conversion in

<sup>71</sup> U.S. Department of Housing and Urban Development. (2015, November 13). *HOME Investment Partnership Program*. Retrieved from [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/programs/home](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/programs/home)

<sup>72</sup> *Ibid*

<sup>73</sup> Rodgers, J., & Rhodes-Conway, S. (2014). *Cities at Work: Progressive Local Policies to Rebuild the Middle Class*. Center For American Progress Action Fund. Pg. 182

<sup>74</sup> *Ibid* at Pg. 182-183



Iowa City.<sup>75</sup> Preserving the existing affordable housing stock is a cheaper alternative to constructing new units, even when upgrading costs are accounted for.<sup>76</sup> In strong housing markets such as Iowa City, preservation provides an economically feasible way to retain affordable units in areas where it is difficult to create new ones.

The City's Neighborhood and Development Services plays a major role in addressing affordable housing needs. The Development Services Division coordinates all aspects of urban planning and building inspection services for the city.<sup>77</sup> Their staff also oversees historic preservation that seeks to enhance the overall stability and character of its neighborhoods. The Neighborhood Services Division provides all housing related services for the city, such as rehabilitation and housing programs that are coordinated through the Housing Authority. The City engages in preservation activities by providing rental housing rehabilitation/acquisition, rehabilitation assistance for homeowners, and accessibility modifications. The information summarized below presents the major city organizations that engage in preservation methods:

- ***The Iowa City Rehabilitation Program*** has been in place since 1977 and provides financial assistance in the form of zero-interest loans and/or grants to low- and middle-income homeowners seeking repairs to their homes.<sup>78</sup> Historical information was unavailable before 2001 so it's hard to say how many households have been served to date. However, since 2001, the City averaged 25 homes per year. The Iowa City Rehabilitation is a federally funded program that uses CDBG and HOME funds.
- ***The General Rehabilitation and Improvement Program***, or GRIP as its otherwise known, is also a rehabilitation program that offers low-interest loans up to \$40,000 with a repayment period up to 20 years.<sup>79</sup> The loan payments are determined by the ability to make monthly payments that will not result in the

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<sup>75</sup> Neighborhood and Development Services Department of Iowa City. (2015). *City Steps: Iowa City's Five Year Consolidated Plan for Housing, Jobs, and Services for Low-Income Residents*. Iowa City: Neighborhood and Development Services Department of Iowa City.

<sup>76</sup> Rodgers, J., & Rhodes-Conway, S. (2014). *Cities at Work: Progressive Local Policies to Rebuild the Middle Class*. Center For American Progress Action Fund. Pg. 182

<sup>77</sup> City of Iowa City. (2015, November 17). *Development Services*. Retrieved from <https://icgov.org/city-government/departments-and-divisions/development-services>

<sup>78</sup> City of Iowa City. (2015, November 17). *Housing Rehabilitation*. Retrieved from <https://icgov.org/city-government/departments-and-divisions/neighborhood-and-development-services/neighborhood-9>

<sup>79</sup> Iowa city Housing Rehabilitation. (2015, November 18). *Iowa City Housing Rehabilitation Services*. Retrieved from <http://www.livablecommunity.org/Services/9EC680BC-EE34-429E-9737-CBCAA5A4E8E5/Iowa-City-Housing-Rehabilitation.aspx>

borrowers' housing debt to exceed 30% of gross income.<sup>80</sup> Unlike the Iowa City General Rehabilitation Project which uses federal funds, the GRIP program is locally funded. As specified by HUD guidelines, beneficiaries of federal funds must be within 80% of the area's median income. With the GRIP program, households can make up to 110% of the area's median income. The program began in 2007 and since then has served 50 homes, in which they average 8-10 homes annually.

- ***The UniverCity Neighborhood Partnership program*** was established to “preserve the character of neighborhoods adjacent to the downtown and the University of Iowa.”<sup>81</sup> This program purchases residential properties adjacent to the downtown and the University of Iowa. To help preserve and enhance these areas, the City will use up to a maximum of \$50,000 in federal funds for renovations and then sell them to qualifying homeowners at a slightly higher price than the original purchase price.



*UniverCity home on 826 E. Davenport St.*

The UniverCity program was originally proposed in 2009 as a partnership with the University of Iowa.<sup>82</sup> The University was receptive to the idea of the program and it originally invested down payment assistance for UI employees.<sup>83</sup> The UI has since ceased funding for the program. The program officially started in 2010 and since then has purchased 56 primarily rental homes in University impacted neighborhoods and sold 50 of them. When possible, the program will sell to homeowners who are below 80% of the area's median income. In addition, the UniverCity program has invested \$2,800,000 in renovations.

The Iowa Valley Habitat for Humanity and the Iowa City Housing Fellowship are the two area's biggest non-profit organizations that preserve and create affordable housing. The two organizations are summarized below:

- ***The Iowa City Housing Fellowship*** is a non-profit owner/property manager dedicated to keeping their properties affordable throughout the life of the property. To date, the Housing Fellowship has acquired 72 properties and rehabilitated them. They have subsequently rehabilitated 50 of those units for which the affordability term has expired. Some of these units were rehabilitated

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<sup>80</sup> *Ibid*

<sup>81</sup> The City of Iowa City. (2015, December 7). *UniverCity Neighborhood Partnership*. Retrieved from <https://icgov.org/UniverCity>

<sup>82</sup> *Ibid*

<sup>83</sup> *Ibid*

using federal funds, which triggered another period of affordability. As an affordable housing developer, the Housing Fellowship has constructed 93 units which they own/manage. They also constructed a 10-unit apartment building that was sold to the city of Iowa City.<sup>84</sup> Homeownership opportunities are also offered to lower income households through its community land trust.<sup>85</sup>

- **The Iowa Valley Habitat for Humanity** is a non-profit organization that is founded on Christian principles. It is an organization that is dedicated to “eliminating substandard housing locally and worldwide through constructing, rehabilitating, and preserving homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions.”<sup>86</sup> Since 1994, the Iowa Valley Habitat for Humanity has constructed 48 new single family homes in Iowa City.<sup>87</sup> On average, they build 5-7 new single-family homes a year unless they find additional funding. They have purchased and rehabilitated three homes since 2012 – purchase and rehab costs keep them from doing more. They also assume the underwriting of 20-25 year mortgages which ties up large amounts of capital.

There are other non-profit organizations involved in transitional affordable housing. Organizations such as Mecca Services, Shelter House, and Successful Living specialize in transitional housing for a specific target population. Activities of these three organizations are summarized below:

- **Mecca Services** is a nonprofit organization that provides housing services for recovering drug abusers. The organization manages a facility with 12 transitional units.
- **Successful Living** is a nonprofit organization that was created in 1998. The organization offers supportive services to the homeless or those threatened of becoming homeless. Successful living manages 37 single room occupancy units at three different locations. Tenants are allowed to reside at these units for a maximum of up to two years.
- **Shelter House** is the only homeless shelter available in Johnson County. The organization originally started out in 1983 as a 4-bedroom home and in 2010 it was upgraded to a 70-bed facility. The homeless are able to utilize housing services of Shelter House for 45 calendar days within a year.

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<sup>84</sup> Patton, M. (2015, November 17). Iowa Valley Habitat for Humanity Housing Affordability Questions. (K. Garza, Interviewer)

<sup>85</sup> Mullin Lonergan Associates . (2007). *Affordable Housing Market Analysis*. Iowa City: City of Iowa city; Planning and Community Development. Pg. 74

<sup>86</sup> Habitat for Humanity Mission Statement

<sup>87</sup> Patton, M. (2015, November 17). Iowa Valley Habitat for Humanity Housing Affordability Questions. (K. Garza, Interviewer)

## Creation of Affordable Housing

Although preserving affordable housing stock is a cheaper alternative, the creation of new units is essential to address the lack of affordable housing. Within the local housing environment of Iowa City, the creation of affordable housing is difficult. There are many barriers in place that impede the development of affordable housing in Iowa City.<sup>88</sup> Zoning regulations, for example, limit the amount of developable land available for multi-family housing developments.<sup>89</sup> Much of the land that is zoned for multi-family housing is mostly developed.<sup>90</sup> Despite this, however, the city proactively engages in economic development policies that include affordable housing options in private development projects.

The City of Iowa City is considered an affordable housing provider. The City is able to leverage affordable housing options in private development projects seeking public assistance. This is an effective way to add to the affordable housing stock in projects that would not otherwise include affordable housing as an option. By doing this, affordable housing options are spread throughout the community rather than being concentrated in areas where it is cheap to build.

**Table 6- List of LIHTC Units in Iowa City 1987-2013**

Low Income Housing Tax Credit Affordable Housing Units Completed in Iowa City			
HUD ID Number:	Project Name:	Project Address:	Total Low-Income Units:
IAA1993065	IOWA CITY VILLA GARDEN APTS	861 CROSS PARK AVE	48
IAA2000055	IOWA CITY, PHASE IHA SENIOR HSG, PHASE I	1259 SHANNON DR	30
IAA2000105	REGENCY HEIGHTS APTS	1010 SCOTT PARK DR	36
IAA2001055	REGENCY HEIGHTS SENIOR, PHASE II	1060 SCOTT PARK DR	37
IAA2002020	LEXINGTON PLACE	1229 SHANNON DR	30
IAA1995130	CITIZEN BUILDING	319 E WASHINGTON ST	18
IAA2003010	EMERSON POINT	1355 SHANNON DR	54
IAA2006090	WHISPERING GARDEN	2409 WHISPERING MEADOW DR	12
IAA2007005	BERRY COURT	2160 TAYLOR DR	14
IAA2007040	MELROSE RIDGE	4435 MELROSE AVE	18
IAA2010003	ANISTON VILLAGE	1062 CHAMBERLAIN DR	22
IAA2013005	CORRIDOR WOODS	720 FOSTER RD	22
Total Units Completed as of 2013			341

*This table shows low-income units that have been created through the Low Income Housing Tax Credit Program from when the program was incorporated in 1987 to 2013. (Source: LIHTC Database).<sup>91</sup>*

In Iowa City, there are various state and federal programs that create affordable housing units. These programs are summarized below:

<sup>88</sup> Mullin Lonergan Associates . (2007). *Affordable Housing Market Analysis*. Iowa City: City of Iowa city; Planning and Community Development. Pg. 93

<sup>89</sup> *Ibid* at 93

<sup>90</sup> *Ibid* at 93

<sup>91</sup> LIHTC Database Access. (2015, December 10). *LIHTC Database Access: HTML Output*. Retrieved from <http://lihtc.huduser.gov>.

- **The Low Income Housing Tax Credit Program**, or LIHTC as its otherwise known, was created through the Tax Reform Act of 1986. It is the largest provider of low-income rental units in Iowa City. The LIHTC program provides developers incentives in the form of tax credits for low-income rental housing. Table 6 above summarizes LIHTC units that have been created in Iowa City. From 1987-2013, there has been a total of 341 low-income units that have been created through the LIHTC program.
- **The Iowa City Housing Authority** is the one of the largest providers of affordable housing in Iowa City. The program is a division of the city of Iowa City that was established to 1969 to administer housing assistance programs such as public housing, Housing Choice Voucher programs (Section 8), Veteran’s Affairs Supportive Housing (VASH) and Family Self-Sufficiency programs. The Housing Authority currently owns and manages 81 low-density public housing units, and 1,272 households are assisted with rental housing.<sup>92</sup>
- **The Iowa Workforce Housing Tax Credit Program** is an economic development tool administered by the Iowa Economic Development Authority and designed to assist communities in providing affordable housing. To be eligible, projects must meet certain criteria in order to receive tax incentives. The program was enacted July 1, 2014 and since then 12 workforce housing units have been authorized through this program. More workforce housing units are currently in the works as Van Pattern LLC recently proposed a mixed-use building at 9 S. Linn Street which will create 16 units of workforce housing.<sup>93</sup> The Iowa City Cohousing LLC will build up to 15 workforce housing units for their proposed owner-occupied housing development that will be built on the 900 block of Miller Ave.<sup>94</sup>
- **Single Family New Construction (SFNC)** is a homeownership program in which the City administers through the Iowa Economic Development Authority (IEDA). Funding is provided by the IEDA. The City issues a Request for Proposals to construct homes on pre-selected lots with specific home designs. A 25-30% down payment will be provided by the city so that income-eligible homeowners

**Table 7- List of Single Family New Construction (SFNC) Homes 2009-2014.**

	# of Homes	Total Down Payment Assistance	Purchase Price	House Completed
Round 1	40	\$2,119,872	\$7,066,240	11-09 to 5-10
Round 2	37	\$1,497,400	\$5,989,600	11-10 to 12-11
Round 3	31	\$1,260,000	\$5,040,000	7-11 to 9-14
Round 4	33	\$1,222,500	\$4,950,000	1-13 to 9-14
<b>Total</b>	<b>141</b>	<b>\$6,099,772</b>	<b>\$23,045,840</b>	

<sup>92</sup> Iowa City Housing Authority. (2015). *Annual Report - 2015*. Iowa City: Iowa City Housing Authority

<sup>93</sup> *Ibid*

<sup>94</sup> *Ibid*

are in better a position financially to purchase the property.<sup>95</sup> The down payment assistance increases the likelihood a property will be sold. Home owners will take on a mortgage loan and must be approved by the banks normal lending criteria. However, loans have to be set with a 15-year fixed interest rate. The price of each home cannot exceed \$180,000. The homeowner is not allowed to sell the property within a five-year period, otherwise they will be required to pay the prorated amount back to IEDA. Since 2009 (reference to Table 7), this program has produced 141 new single-family homes.<sup>96</sup>

Inclusionary zoning is becoming an increasingly popular tool for communities to address the need for affordable housing.<sup>97</sup> Inclusionary zoning policies require developers to set aside a portion of the units they create to be affordable.<sup>98</sup> As of September 1, 2015, the City Council proposed an inclusionary zoning ordinance that will require developers to set aside 10-15% of new units they develop to be affordable. This would be the State's first inclusionary zoning ordinance and will be required for all new projects proposed in the Riverfront Crossing District.

### **Funding Affordable Housing**

Funding is the most critical component for affordable housing. CDBG, HOME, and state funds have been gradually declining and are rarely sufficient to meet affordable housing needs.<sup>99</sup> To receive federal funds, cities are required by HUD to submit a five-year Consolidated Plan – known locally in Iowa City as City Steps. This plan identifies local needs and how these needs will be addressed. The most recent Consolidated Plan is used by City officials to help guide funding decisions for the 2016-2020 period. According to the plan, *“Iowa City will invest its CDBG and HOME funds in areas primarily impacted by non-student LMI persons. Several of the City’s LMI census areas are located in the downtown area and include the University of Iowa and a significant rental housing stock that is predominantly occupied by students. While resources other than CDBG and HOME funds may be used in these areas to maintain and preserve housing, infrastructure, and public services, the City’s CDBG and HOME funds will be focused in areas that are home to families, the elderly, the disabled, and the homeless.”*<sup>100</sup>

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<sup>95</sup> City of Iowa City. (2015). *Affordable Housing Projects in Iowa City*. Iowa City: City of Iowa City

<sup>96</sup> *Ibid*

<sup>97</sup> Rodgers, J., & Rhodes-Conway, S. (2014). *Cities at Work: Progressive Local Policies to Rebuild the Middle Class*. Center For American Progress Action Fund. Pg. 196-198

<sup>98</sup> *Ibid* at 197-198

<sup>99</sup> *Ibid* at 199

<sup>100</sup> Neighborhood and Development Services Department of Iowa City. (2015). *City Steps: Iowa City's Five Year Consolidated Plan for Housing, Jobs, and Services for Low-Income Residents*. Iowa City: Neighborhood and Development Services Department of Iowa City. Pg. 5-6

Housing trust funds provide a key source of funding that can be used to preserve and create affordable housing. Housing trust funds allow greater flexibility since they are usually governed locally.<sup>101</sup> Capital from a housing trust fund can be used in the form of grants, loans or a combination of both.<sup>102</sup> Special levies, bond issuances, air rights, proceeds from sales of municipal property, revenue from fees, and real estate transfer taxes can all be used to supplement a housing trust fund.<sup>103</sup> There is usually one housing trust fund in each county, for Iowa City it is:

- ***The Housing Trust Fund of Johnson County*** (HTFJC) is a non-profit organization that was created by community leaders to address the lack of affordable housing in Johnston County.<sup>104</sup> Since the organization was incorporated in 2002, a total of \$3,778,881 in financial assistance has been used for affordable housing purposes.<sup>105</sup> The bulk of these projects have been concentrated in Iowa City since it is the entitlement city. The HTFJC has been able to serve 392 households through rental assistance, home repairs, below market loans, and grants.

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<sup>101</sup> Rodgers, J., & Rhodes-Conway, S. (2014). *Cities at Work: Progressive Local Policies to Rebuild the Middle Class*. Center For American Progress Action Fund. Pg. 199

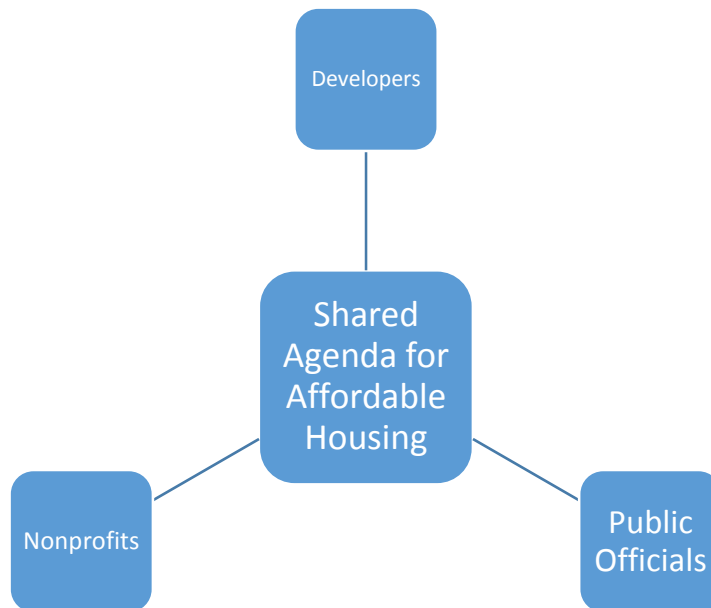
<sup>102</sup> *Ibid* at 199

<sup>103</sup> *Ibid* at 199

<sup>104</sup> Housing Trust Fund of Johnson County. (2015, November 18). *Mission, Goals, and Core Values*. Retrieved from <http://www.htfjc.org/#!/about/c1x1t>

<sup>105</sup> Achenbach, T. (2015, November 18). Affordable Housing Provider Discussion. (K. Garza, Interviewer)

## PERSPECTIVES: BUILDING CONSENSUS FOR AFFORDABLE HOUSING



Gathering input from users and producers of affordable housing provides insight about the housing market conditions of Iowa City. Interviews were conducted with key community stakeholders— for-profit developers, nonprofits, and city officials—to find overlapping points of agreement and disagreement on issues pertaining to affordable housing. This section of the report seeks to synthesize all the information we obtained in our interviews by providing a shared consensus. From these findings, this report seeks to find areas and opportunities for local government intervention. Eventually, the City could build upon this approach to include other key stakeholders in the Iowa City area.

### Design of Affordable Housing

It became clear throughout the interview process that the subjects held varying perspectives on the design of affordable housing projects. In brief, developers largely viewed the City’s design standards as unnecessarily adding to the costs of the projects, while the public officials stated that, despite adding costs, high design standards serve as a long-term public good to the community.

Iowa City Code requires multifamily developments in the central planning district and PRM zone (Planned High Density Multi-Family Residential Zone) to consist of building materials such as brick, stone, or stucco.<sup>106</sup> Joe Hughes, a developer from SouthGate

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<sup>106</sup> Iowa City, City Code. (2016, April). Iowa City, Iowa, United States.



Companies, called for such design regulations in Iowa City to be relaxed for affordable housing projects.

“With affordable housing, you can’t have brick and stone exterior. You can’t have unnecessary extra windows. You can’t have all these regulated design requirements that’s gonna drive up your architectural fees,” Hughes said. “If you want to build new construction affordable housing, it’s gotta be simpler.”<sup>107</sup>

Steve Gordon, a developer with AM Management, echoed similar sentiments. Gordon acknowledged that much of what the City requires for design actually improve the final product, but he stipulated, however, that these elements, such as cement board siding, add significant costs and are not always consistent with the development featured in the surrounding neighborhood.<sup>108</sup>

“I would understand if you were putting this in an area where every other development around it required cement board siding and brick,” Gordon said, “The design features drive up the costs, and either the consumer pays for it or the project just doesn’t get done.”<sup>109</sup>

From the City’s perspective, using materials like the cement board siding are decisions that will save costs in the long run. Iowa City planners John Yapp and Doug Boothroy said that using higher quality materials provide a tradeoff. While the upfront costs are higher, you have less replacement of those materials over time and ultimately less waste.<sup>110</sup>

“Those design standards are in place so that way we have projects, in the long run, are more attractive and more livable,” Yapp said.<sup>111</sup>

Boothroy added, “If you look downtown at the buildings that have stood the test of time, what do you see? They are brick.”<sup>112</sup>

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<sup>107</sup> Hughes, J. (2016, January). Equity and Housing (E. Hawkinson, Interviewer)

<sup>108</sup> Gordon, S. (2016, January). Equity and Housing (E. Hawkinson, Interviewer)

<sup>109</sup> *Ibid*

<sup>110</sup> Boothroy, D. & Yapp, J. (2016, January). Equity and Housing (E. Hawkinson, K. Garza, Interviewers)

<sup>111</sup> *Ibid*

<sup>112</sup> *Ibid*

## Planned Developments

Developers also expressed discontent with the planned development process that takes place when a builder wants to alter the site from its existing zoning designation. For instance, if a developer wishes to bring in additional density to a site, but is restricted by the zoning ordinance, he or she can go through the planned development process. According to certain interviewed developers, this process can use some improvement.

The application for the planned development process is a rezoning, which gives the City more leverage on the design aspects of the project. For developers like Gordon, this process has added to the cost of projects.

“You get into that process and it’s very time consuming. Weeks and weeks go by while the City’s reviewing it, they get back to you with a list of changes,” Gordon said. “You make those changes and the next time they give you a whole completely different list of changes. It’s just not a user friendly process.”<sup>113</sup>

Another developer, Jesse Allen from Allen Homes Inc., believes the planned development process has really improved in recent years.

“All the site plan submittals are done up front, and it’s working a lot smoother,” Allen said. “Everything goes through project docs.<sup>114</sup> We get a list of needs from the City and follow those to get the project approved. It’s more streamlined.”<sup>115</sup>

Despite the differing views on planned development, Iowa City Planners are keenly aware of the frustrations developers face.

“I think developers object to providing a lot of that upfront detail design information because it takes time and money, and at the end of the day they don’t know if it will get approved or not – and I totally understand that,” Yapp said.<sup>116</sup>

Boothroy noted that several projects have received staff approval, but at the eleventh hour were defeated because of overwhelming neighborhood opposition in the public hearings. Still, Yapp and Boothroy maintain that the process is needed for transparency within the neighborhood, as well as ensuring the proposal is functional.<sup>117</sup> The Process

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<sup>113</sup> Gordon, S. (2016, January). Equity and Housing (E. Hawkinson, Interviewer)

<sup>114</sup> Project Doc is an online system used for creating, managing, and tracking documents for building projects.

<sup>115</sup> Allen, J. (2016, February). Equity and Housing (E. Hawkinson, Interviewer)

<sup>116</sup> Boothroy, D. & Yapp, J. (2016, January). Equity and Housing (E. Hawkinson, K. Garza, Interviewers)

<sup>117</sup> *Ibid*

allows the city to carefully review each project to determine whether the project will be compatible with the character of existing neighborhoods.

As a potential solution to that scenario, Boothroy said the City is considering a form based code for smaller multi-family projects. Currently, a developer that wishes to build such a project in a single family zone is forced to take the route of a planned development. Under a form based code, that developer would be allowed to construct, by right, different housing types to integrate within the same neighborhood.

### **NIMBYism for Affordable Housing Projects**

For many communities trying to site affordable housing, the term itself connotes a negative stigma attached to it. Many affordable housing projects initiate a feeling of fear and prejudice people who are low-income. As such, for many projects that are proposing to do affordable housing in certain neighborhoods, Not in My Back Yard (NIMBY) attitudes restrict the supply of affordable housing in a number of ways. Constituents of NIMBYism argue that the siting of affordable housing in their neighborhoods will lower property values, increase traffic, attract crime or will include a project design that does not fit aesthetically into the character of the neighborhood.<sup>118</sup>

For nonprofit organizations such as Habitat for Humanity and the Housing Fellowship, who are solely involved in affordable housing, NIMBYism is a major barrier for their operations. Being a nonprofit organization conjures up negative perception of affordable housing. Mark Patton with the Iowa Valley Habitat for Humanity and Mary Ann Dennis of the Housing Fellowship have both stated that they face negative perceptions that their developments will not be up to par in terms of design quality.<sup>119</sup> Additionally, they said there is a negative perception that low-income people being housed in affordable housing units will be of a different race, religion, or hold different values than people currently residing in the neighborhood where the project is being proposed for siting. These kinds of attitudes have made it difficult for nonprofit affordable housing developers in Iowa City.

Considering the high cost of land in Iowa City, for-profit developers are only able to construct affordable housing units if they apply an economies of scale type of approach towards development. Large apartment complexes that contain 50+ units help developers keep the cost per unit down when considering total construction and land

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<sup>118</sup>Ross, J. (2012). *NIMBYism: Overcoming Community Opposition to Affordable Housing*. The Housing News Network.

<sup>119</sup> Patton, M. (2016, January 29). Habitat for Humanity Interview. (K. Garza, Interviewer). Dennis, M. A. (2016, January 25). The Housing Fellowship Interview. (K. Garza, Interviewer).

costs.<sup>120</sup> Larger apartment complexes make managing the property easier when compared to multiple scattered site developments by allowing for a full time staff member to be hired as a property manager.

Joe Hughes stated, “To fit the criteria of affordable housing, it’s easier to do multi-family because you can do quite a few more units all in one area. So your land costs are lower and you’re able to use the economies of scale to hit the numbers that you have to hit.”<sup>121</sup>

However, the place in Iowa City that is most appropriately zoned for high density development is the downtown area where there is not much land available.<sup>122</sup> Outside of downtown, there is a lack of appropriately zoned land for large apartment complexes. Based on our interviews, if a developer seeks to propose such a development they would have to go through a public rezoning process where NIMBYism could defeat the project.<sup>123</sup>

## Subdivision Regulations

Subdivision regulations are used to set minimum physical and design standards of new housing built by developers. Although intended as a land use control for local communities to regulate the division of large parcels of land into smaller parcels for sale and development, subdivision controls in itself can act as a barrier to affordability.<sup>124</sup> Subdivision controls such as having minimum lot size and square foot requirements can raise the cost of housing because larger homes will require more building materials. The increased cost of housing makes it difficult for nonprofits, who primarily run on shoestring budgets, to build in subdivisions.

Both the nonprofit and planner perspectives agree that existing subdivision regulations limit the ability of nonprofit organizations and thereby reducing the supply of affordable housing. The Iowa City Code allows for a single-family minimum lot size requirement of 3,000 sq. ft. Mark Patton believes that having such high minimum lot size requirements

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<sup>120</sup> Gordon, Steve. (2016, January 25) Affordable Housing Interview. (E. Hawkinson Interviewer)

<sup>121</sup> Hughes, Joe. (2016, January 25) Affordable Housing Interview. (E. Hawkinson Interviewer)

<sup>122</sup> Mullin & Lonergan Associates Incorporated. (2007). *Iowa City Metro: Affordable Housing Market Analysis*. Iowa City.

<sup>123</sup> Yapp, J., & Boothroy, D. (2016, February 4). Iowa City Planners Interview. (K. Garza, & E. Hawkinson, Interviewers)

<sup>124</sup> U.S. Department of Housing and Urban Development. (2003). *“Why Not in Our Community?” Removing Barriers to Affordable Housing*. Washington, D.C.: U.S. Department of Housing and Urban Development.

are exclusionary. He also said that, “the city should introduce a policy that any new subdivisions include a mandatory set aside percentage for affordable housing.”<sup>125</sup>

Iowa City officials agree that by having minimum lot size requirements it can be too costly for nonprofit organizations but also expressed the issue of having smaller lot sizes. John Yapp stated, “We had this conversation with the council and I think people don’t realize that there is that flexibility to get a very small lot size. The problem is, you have to find someone willing to subdivide it at the size – there is no incentive to provide that because there is no money for it. The developers in the business to make money and you don’t make money by doing 3,000 sq. ft. lots with alleys. – it doesn’t pay out. We require minimum lot sizes and we require a minimum of 3,000 sq. ft. We don’t have maximum lot size requirements. Very few developers want to be at the minimum. They want 8, 10, 12 thousand square foot lots because that’s what they feel they can sell. They [developers] got to pay their people and pay themselves. So whether we could require a maximum – saying 10% of your lots can be no more than 4,000 sq. ft. – I don’t know the answer to that.”

Doug Boothroy added, “The last thing we would want to do is discourage subdivision because the city does benefit from subdivision in the sense that we get street connectivity extensions, extensions in our water and sewer mains. So where we have infill development, we don’t want to put regulations in place that would cause the land to stay vacant for years because there is no money in doing anything with it. And the effect of that, if the regulations compound so much that it discourages development, housing will become less affordable (the notion of supply and demand). The population is growing because it’s a good place to live.”<sup>126</sup>

It becomes more complicated, as Boothroy stated, “subdivisions are usually on the fringe where there is not that many services so then you question whether that’s an affordable housing issue or not, and appropriately spend public dollars for affordable housing. Because they are not next to neighborhood centers, less walkable, may not be on a transit line, these things get complicated. That’s why our focus has been on the near downtown area and Towncrest. Towncrest in a way, not by design but by function, it’s like a mini downtown. All the services are within close proximity.”<sup>127</sup>

It seems that the most ideal solution is for strategic partnerships to form. “To account for this percentage set aside, the city needs to have a pre-established list of options of incentives, costs offsets, and alternatives for developers to consider. This would help

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<sup>125</sup> Patton, M. (2016, January 29). Habitat for Humanity Interview. (K. Garza, Interviewer).

<sup>126</sup> Yapp, J., & Boothroy, D. (2016, February 4). Iowa City Planners Interview. (K. Garza, & E. Hawkinson, Interviewers)

<sup>127</sup> Yapp, J., & Boothroy, D. (2016, February 4). Iowa City Planners Interview. (K. Garza, & E. Hawkinson, Interviewers)

incentivize developers in a predictable and clear way. In the development process, for-profit developers are more willing to partner when there is clarity and predictability. Developers need to learn to partner with nonprofit organizations” Patton concluded.

## **Partnerships and Incentives**

All three stakeholders agreed that strategic partnerships are needed to increase the supply of affordable housing. Nonprofit organizations expressed their desire and willingness to partner with for-profit developers because of their limited resources. A partnership with a for-profit developer will allow the nonprofit organization to harness the technical, financial and human resources that for-profit developers can bring to the table. Also, nonprofit organizations provide for-profit developers with a special kind of expertise in determining, monitoring, and working with low-income households. Both Mark Patton and Mary Ann Dennis have stated that being a member of the Chamber of Commerce and the Home Builders Association creates an environment where they can engage for-profit developers and establish a positive working relationship.<sup>128</sup>

For-profit developers are not against constructing affordable housing units so long as the project is still able to make a profit.

“We’re always willing to work with doing mixed housing,” Gordon said. “To do that, it has to be revenue neutral at a minimum.”

This is where local governments can be proactive by entering a partnership with a for-profit developer and offering them financial incentives that will offset the costs of constructing units at below market rates. All of the for-profit developers agree that incentives are needed for a mixed-housing project that includes affordable rate unit’s to work financially. However, the city has expressed that there is a certain level of difficulty in entering this type of partnership because of the high profit margins a developer is able to make in Iowa City. For example, a for-profit developer is less willing to do a project if they are able to make a 15% profit margin without incentives than a project that includes incentives but only churns out a 10% profit margin.

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<sup>128</sup> Patton, M. (2016, January 29). Habitat for Humanity Interview. (K. Garza, Interviewer). Dennis, M. A. (2016, January 25). The Housing Fellowship Interview. (K. Garza, Interviewer).

## Perspectives Summary

The goal of the interview process was to identify a shared idea of the problems Iowa City faces in regard to affordable housing. An initial shared agenda for the issue was formed after opening communication with a selection of key stakeholders such as developers, non-profits, and city officials. While these interviews do not represent the views of all stakeholders involved, it provides a general view into each group’s perspective. This led to a more narrow understanding of the problem unique to Iowa City and identified three key areas of opportunity for local intervention.

**Figure 13- Areas of Opportunity from Interviews**

Icons	Group	Perspectives
<p><b>Icons</b></p> <p><b>P</b> Planners</p> <p><b>N</b> Nonprofit Developers</p> <p><b>D</b> For Profit Developers</p>	<b>N</b> <b>D</b>	Design regulations need to be relaxed
	<b>P</b>	High design standards are in the public interest
	<b>P</b> <b>N</b> <b>D</b>	Planned Developments can be costly
	<b>P</b> <b>N</b> <b>D</b>	NIMBYism is a challenge in neighborhoods
	<b>P</b> <b>N</b>	Subdivision regulations can exclude nonprofits
	<b>P</b> <b>N</b> <b>D</b>	Partnerships and incentives are needed

This first iteration of building a shared agenda for affordable housing identified three areas of opportunity and overlap, and suggest that local government can:

- Allow more flexibility for housing types in existing neighborhoods
- Educate the community about the benefits of a diverse neighborhood
- Explore partnerships and incentives for developers and non-profits

The first objective for flexible housing types can address costly planned developments and can be achieved through a form based code that allows by right developers to build a variety of housing at greater density. The City has already drafted a form based code for the Riverfront Crossings District, but according to Iowa City planners Boothroy and Yapp, the City is also planning on creating a city-wide form based code. This would help the City enable developments for the “missing middle” — a range of multi-unit or clustered types of housing, such as duplexes, four-plexes, and bungalow courts that help support walkable and diverse neighborhoods.<sup>129</sup>

<sup>129</sup> *What is Missing Middle Housing?* (2010). Retrieved from Missing Middle: <http://missingmiddlehousing.com/about/>

Secondly, educating the community about the benefits of inclusivity can be done through campaigns such as the Yes in My Backyard initiative recently launched by the Johnson County Affordable Homes Coalition (JCAHC). The Yes in My Backyard initiative holds monthly meetings at the Iowa City Public Library and aims to change attitudes and opinions about affordable housing. The JCAHC is very active on social media and consistently holds other sponsored events throughout the year that aim to educate the community about inclusive housing. Other advocacy groups— such as Neighborhood Centers of Johnson County, Shelter House, the Crisis Center, and United Action for Youth— offer services that help engage the community.



*The Johnson County Affordable Homes Coalition hosts the Yes in My Backyard campaign at the Iowa City Public Library. These meetings are free and open to the public.*

Finally, forming partnerships between non-profits and private developers can help cover rents for units, help developments score better for LIHTC applications, and bring specialized skillsets to ensure a high quality project. Throughout the interview process, the developers stated that they needed some form of subsidy to make affordable housing projects work. To explore incentives options for the creation of affordable housing, we looked at successful strategies in comparable and innovative cities. After a broad national search, we narrowed our scope to strategies that were applicable to Iowa City.



## STRATEGIES FROM COMPARABLE CITIES

Recognizing that the issues of housing inequality are not unique to Iowa City, this report examined strategies in other cities that may be applicable here in Iowa City. To better understand the alternatives, we interviewed professionals nationwide to get a sense of the problems each city faced and what strategies had been most useful. In the Midwest, we spoke to practitioners from the City of Madison (WI), the City of Ann Arbor (MI), the City of Lawrence (KS), the City of Manhattan (KS), and the City of Des Moines (IA). We learned from professionals in Portland (OR) and Seattle (WA), which provide examples of innovation under dire housing affordability circumstances.

From these interviews, understanding the goals and challenges for the City of Iowa City, three key strategies emerged—tax abatement for affordable housing, expansion and improvement of policy for Low Income Housing Tax Credit (LIHTC) projects, and the creation of a land banking policy. These recommendations are explained further in the following sections.

### Tax Abatement

Cities such as Ann Arbor, Portland, and Seattle have implemented a tax abatement program that is awarded to property owners who choose to restrict all, or a portion of rents in units to be affordable. These programs could be helpful to the City of Iowa City as it looks for ways to reach its goals outlined in the comprehensive plan.

Jennifer Hall, Executive Director for the Housing Commission in Ann Arbor stated that its tax abatement policy for affordable housing projects has been one of the most successful strategies employed by the City. In it, the City of Ann Arbor provides a \$1 per unit, per year payment in lieu of taxes to qualified affordable housing projects. These projects must have federal or state funding and serve residents at the 60 percent AMI or less.

In Portland, the City provides up to “\$3 million in annual tax abatements for developers who agree to restrict the rents on 20 percent of their units.” This is expected to lead to approximately 200 to 300 new units each year. A similar program in Seattle has created 1,981 active affordable units for residents earning between 65 and 85 percent AMI.<sup>130</sup>

In a 2014 status report to the Seattle City Council, the Office of Housing states that the program encourages inclusion of “affordable units within market-rate buildings, thus creating true mixed-income properties for the duration of the exemption.”<sup>131</sup> This reveals that such a program has the potential to reach the City’s goal to “ensure a mix of

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<sup>130</sup> Opportunities and Challenges for Equitable Housing. Oregon Metro. (January 2016).

<sup>131</sup> City of Seattle Multifamily Property Tax Exemption Program. “2014 Status Report to City Council.” (2015, March 31).

housing types within each neighborhood, to provide options for households of all types (singles, families, retirees, etc.) and people of all incomes.”<sup>132</sup>

The tax abatement program also provides a much desired incentive for developers to include a percentage of units to be affordable to low and moderate income renters. In Iowa City, these groups are in need of affordable housing supply and such an incentive could help expand housing choice and combat displacement. In the absence of a mandatory inclusionary zoning ordinance that is city-wide, a tax abatement incentive is an alternative option for the City to consider.

Finally, it is a way to help achieve the City’s goal to “identify and support infill development and redevelopment opportunities in areas where services and infrastructure are already in place.” Tax abatement requires the city create a revitalization area, which must exist within the City limits thus promoting infill development.

### **How does it work elsewhere?**

The City of Seattle’s program exempts the property owner from property tax on residential improvements so long as he or she restricts rent in at least 20 percent of the units for the duration of the exemption. It is a form of inclusionary housing, and the program’s goals are dependent upon the condition of the market. The 2014 status report cites that the program can best achieve mixed-income properties “in a strong real estate market and higher-rent areas.” It also states that “in a down-cycle or transitional market area, the program is most effective at supporting the financial feasibility of projects with weaker cash flows due to lower rents.” Both goals could be achieved over the course of the years in the property tax abatement schedule.<sup>133</sup>

In each of these programs, the property owners are still responsible to pay taxes on the assessed value of the land. Only the incremental value added to the property is exempt. At the end of the exemption, the property is reassessed and the owner begins paying the full tax amount. To ensure affordability, Portland’s program restricts 20 percent of units as affordable for “households earning 60% or less of the area median family income (MFI), or to households earning 80% or less of the area MFI when the project’s market rents are at or exceed 120% of the area MFI.”<sup>134</sup> These measurements are determined by HUD and vary by household and apartment size. The program also ensures that the abatements are equally distributed by unit type, meaning various income levels are served.

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<sup>132</sup> Iowa City Comprehensive Plan

<sup>133</sup> City of Seattle Multifamily Property Tax Exemption Program. “2014 Status Report to City Council.” (2015, March 31).

<sup>134</sup> City of Portland Multiple-Unit Limited Tax Exemption Program. “Administrative Rules Adopted by City Council.” (2012, August 1).

Seattle’s program has been in effect since 1998 and the affordability levels has always served households between 50-90 percent AMI. In a project that involves displacement of tenants, the owner must restrict greater than 20 percent of the units to be affordable at 50 percent AMI.<sup>135</sup> The following table shows the distribution, by AMI, of Seattle’s Multifamily Property Tax Exemption program since 1998.

**Table 8- Distribution of MFTE-Restricted Rental Units by AMI, 1998-2014**

	Prog 1	Prog 2	Prog 3	Prog 4	Prog 4	Prog 4	Prog 4	
AMI	1998-2002	2004-2008	2008-2010	2011	2012	2013	2014	TOTAL
50*					5	1	1	7
60**	122	563	601	40	88	56	--	1,470
60		35						35
65				152	315	323	195	985
70		91						91
75				163	279	252	232	926
80	69		869					938
85				48	83	62	58	251
90			156					156
<b>Total</b>	<b>191</b>	<b>689</b>	<b>1,626</b>	<b>403</b>	<b>770</b>	<b>694</b>	<b>486</b>	<b>4,859</b>

\* Only units that satisfy the replacement unit requirements described in Chapter 5.73.040.A.7 of the Municipal Code are required to be set aside at 50% of AMI.

\*\*Up to 60%AMI attributable to restrictions created through other subsidy sources.

*This table was taken from Seattle’s 2014 Status Report on Multifamily Property Tax Exemption. Since 1998, the program has added 4,859 affordable units to households between 50-90 percent AMI.*

### Tax Abatement in Iowa

As established previously, the City of Iowa City may wish to implement a tax abatement program to help in the creation of affordable housing. Our primary research has shown that Ann Arbor, Portland, and Seattle have successfully implemented multifamily tax abatement programs that require the property owner to set aside a portion of units to be affordable in order to be eligible for the abatement. As previously stated, such a program could help the City achieve its goals to:

- Ensure a mix of housing types within each neighborhood, to provide options for households of all types (singles, families, retirees, etc.) and people of all incomes.<sup>136</sup>
- Identify and support infill development and redevelopment opportunities in areas where services and infrastructure are already in place.<sup>137</sup>

<sup>135</sup> City of Seattle Multifamily Property Tax Exemption Program. “2014 Status Report to City Council.” (2015, March 31).

<sup>136</sup> Iowa City Comprehensive Plan

<sup>137</sup> *Ibid*

Further research needs to be done for the City to determine the exact specifics of a tax abatement program, but first it is important to examine Iowa City's authority to establish a tax abatement program.

Tax abatement has been used by cities across Iowa (Des Moines, Pleasant Hill, Cedar Falls, and West Branch), however it has never been used to support the creation of affordable housing. Under Iowa law, tax abatement is allowed by the Urban Revitalization Act (Chapter 404 of Code of Iowa), which gives city councils the authority to designate an ordinance for a revitalization area in the city. The Code of Iowa sets forth the following steps to designate such an ordinance:

1. Create a resolution that designates the area
2. Adopt resolution finding that the rehabilitation, conservation, redevelopment, economic development, or a combination thereof of the area is necessary in the interest of the public health, safety, or welfare of the residents of the city, or county as applicable, and the area substantially meets the criteria of section 404.1.

In accordance with subsection 5 of Section 404.1 of the Code of Iowa, the City of Iowa City could designate the revitalization area as appropriate for construction of housing and residential development, including single or multifamily housing.<sup>138</sup> Section 403.17 provides the following definition for housing and residential development:

*“Single or multifamily dwellings to be constructed in an area with respect to which the local governing body of the municipality determines that there is an **inadequate supply of affordable, decent, safe, and sanitary housing** and that providing **such housing is important to** meeting any or all of the following objectives: retaining existing industrial or commercial enterprises; attracting and encouraging the location of new industrial or commercial enterprises; meeting the needs of special elements of the population, such as the elderly or persons with disabilities; and **providing housing for various income levels of the population which may not be adequately served.**”<sup>139</sup>*

The definition indicates that an inadequate supply of affordable housing is a valid part of revitalization, but also suggests the municipality is responsible for determining that deficit. As stated in the definition for housing and residential development, the municipality wishing to implement the tax abatement must “determine there is an inadequate supply of affordable housing.” This argument can be made using the following summary statistics:

- 2,815 owner households have a housing cost burden greater than 30 percent of their income (CHAS 2008-2012).

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<sup>138</sup> Iowa Code 404.1

<sup>139</sup> Iowa Code 403.17

- 8,390 renters have a housing cost burden greater than 30 percent of their income (CHAS 2008-2012).
- Excluding householders 24 and under, 56 percent of renters are paying more than 30 percent of their income towards housing. In real numbers, that is 4,233 cost burdened households in Iowa City (ACS 2014 5-year estimates).
- The rental vacancy in Iowa City is incredibly low at 1.7 percent (ACS 2014 5-year estimates).

After establishing the inadequate supply of housing, the City would need to argue that affordable housing is important to meeting any or all of the following objectives:

1. Retaining existing industrial or commercial enterprises
2. Attracting and encouraging the location of new industrial or commercial enterprises
3. Meeting the needs of special elements of the population, such as the elderly or persons with disabilities
4. Providing housing for various income levels of the population which may not be adequately served<sup>140</sup>

The item to consider is item four, providing housing for various income levels. Incidentally, this very nearly resembles the City's stated housing comprehensive plan goal to "ensure a mix of housing types within each neighborhood, to provide options for households of all types (singles, families, retirees, etc.) and people of all incomes." Thus, the City would need to articulate that supporting housing and residential development for affordable housing is important to provide housing for residents of various income levels which may not be adequately served. It can make that argument using the following facts and figures:

- Real median home prices and gross rent have steadily increased since the early 2000s, while real median income has steadily decreased during that same time frame (US Census, ACS 2000-2014).
- Low-income service workers in Iowa City (cooks, waiters, cashiers etc.) cannot afford a \$650/month apartment without being cost burdened. Apartments at this price point are increasingly competitive (Bureau of Labor Statistics, Zillow, ACS 2014 5-year estimates).
- Of the 8,390 cost burdened renters, there are 5,810 that have a cost burden greater than 50 percent of their income (CHAS 2008-2012).
- Of the 2,815 cost burdened owner households, there are 1,075 that have a cost burden greater than 50 percent of their income (CHAS 2008-2012).

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<sup>140</sup> Iowa Code 403.17

Further research would need to be done for the City to determine the exact income levels to be served in Iowa City, but generally public housing assistance in Iowa City is restricted to households earning no more than 80 percent of the AMI. Similarly, the Iowa Code 403.17 defines low or moderate income as “those families, including single person households, earning no more than eighty percent of the higher of the median family income of the county or the statewide nonmetropolitan area as determined by the latest United States department of housing and urban development, section 8 income guidelines.”<sup>141</sup> Table 1 suggests that the greatest need is for households below 60 of the area median income.



*The City of Des Moines, Iowa. Source: www.dmgov.org*

The City of Des Moines’s Residential Tax Abatement Program is offered in three parts:

1. A ten year 115 percent abatement for smaller additions, renovations, or improvement. This is available Citywide.
2. A six year abatement for new construction of single-family homes, duplexes, and townhomes. This is available Citywide, but the abatement decreases by 15 percent after year three.
3. A ten year 100 percent abatement for additions, renovations, new constructions, improvements for a variety of household types. This is available only in targeted low-density and multifamily areas.

When Des Moines first began its tax abatement program, the City was demolishing more buildings than it was issuing permits, which allowed it to reach city-wide eligible criteria.<sup>142</sup> The City of Iowa City is not in that situation, so the abatement will need to be in targeted areas. In Portland and Seattle, the targeted areas for the respective tax

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<sup>141</sup> Iowa Code 403.17

<sup>142</sup> Brown, R. (2016, March 14). Des Moines City Attorney Interview. (E. Hawkinson, Interviewer).

abatement programs are in areas supported by transit. Further research is needed to determine these specific locations.

**What will this cost?**

A pro forma analysis is needed for a more exact interpretation of the program’s financing. The incentive should be large enough for property owners to participate, but it cannot be so large that the City unnecessarily forgoes tax revenues needed for other city services. Below (Table 9) is an example of property tax abatement scenarios for three new construction rental projects in Iowa City. Because it is new construction, the incremental value is indicated as the new dwelling value from the multifamily units. Assuming \$875 market rent for these apartments, a property tax abatement with 20 percent inclusionary housing would net \$3,150 annual savings in rent per unit. This was calculated by multiplying the market monthly rent (\$875) by 30 percent over each month of the year. In this scenario, there would be 8 new affordable units, and the City would forgo \$47,444 in taxes if that abatement is 100 percent. If the City was willing to forgo \$500,000 in tax revenues then it could scale these scenarios up by 10 and see the creation of 84 affordable units. For rehabilitation and renovation for existing residential units, loss of tax revenue would be less because it is indicated by the new investment as opposed to the new dwelling value. While this analysis needs further research, it presents a snapshot of the benefits and costs of a prospective program.

**Table 9- Snapshot of Tax Abatement for Three Iowa City Projects**

<b>New Construction Multifamily</b>	
<b>4 Unit Apartment - Bowery Street</b>	
<b>Dwelling Value</b>	\$ 279,790
<b>Taxable</b>	\$ 241,319
<b>City of Iowa City</b>	\$ 4,018
<b>14 Unit Apartment- Church Street</b>	
<b>Dwelling Value</b>	\$ 778,950
<b>Taxable</b>	\$ 671,845
<b>City of Iowa City</b>	\$ 11,187
<b>24 Unit Apartment - Michael Street</b>	
<b>Dwelling Value</b>	\$ 2,244,840
<b>Taxable</b>	\$ 1,936,175
<b>City of Iowa City</b>	\$ 32,239
<b>Affordable Units</b>	8.4
<b>Savings to Tenant</b>	\$ 3,150
<b>Total Cost to City</b>	\$ 47,444.22

*This table shows a rough estimate of the costs and benefits associated with a tax abatement program in Iowa City. In these scenarios, the City forgoes nearly \$50,000 in tax revenues and 8 units receive annual savings of \$3,150. Source: Iowa City Assessor, Johnson County Property Tax Calculator.*

## Low Income Housing Tax Credit

As mentioned earlier, the Low Income Housing Tax Credit (LIHTC) program was created through the Housing Tax Reform Act of 1986. The tax credit allows for a dollar-for-dollar tax reduction for up to ten years. The amount of tax credits that are awarded are based off the development costs and the proportion of affordable rate units.

Since 1986, the Iowa Finance Authority (IFA) has been the State's allocating agency for Housing Tax Credits.<sup>143</sup> The IFA develops a yearly Qualified Allocation Plan (QAP) that determines the procedure for allocating tax credits. Developers then submit project proposals and conform to the guidelines of the QAP.

The Low Income Housing Tax Credit is the largest provider of affordable housing in Iowa City. An area of interest for the City of Iowa City has been the expansion of the Low Income Housing Tax Credit New production is needed to address the inadequate supply of affordable housing. The City was recently awarded a tax credit project, but it is still interested in uncovering ways to become more competitive in its allocation from the Iowa Finance Authority.<sup>144</sup>

### How does it work elsewhere?

The City of Madison, Wisconsin has developed a LIHTC policy to be more competitive. After looking at the yearly allocations throughout the state of Wisconsin, planners in Madison decided to make some key changes to help earn more projects. Matthew Wachter, Housing Planner for the City of Madison, noted that this strategy has improved from being an inconsistent driver of affordable housing supply.

"We went from, on average, one project every other year to the first year we had three projects get funded and get tax credits. We have another three this year. It's dramatically increased the pipeline of affordable housing supply."<sup>145</sup>

These changes in Madison are outlined by the following strategy: "for new multifamily developments pursuing Low Income Housing Tax Credits, City funding programs should be aligned to maximize the likelihood of tax credits being awarded. Coordinating these programs leverages City subsidy, making subsidy go farther or reach deeper down the income spectrum.

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<sup>143</sup> Iowa Finance Authority. (2016, May 10). *Housing Tax Credit Program*. Retrieved from <http://www.iowafinanceauthority.gov/Public/Pages/PC116LN11>

<sup>144</sup> Gruber-Miller, S. (2016, March 10). 2 Projects get \$13 million in affordable housing tax credits. p. 1.

<sup>145</sup> Wachter, Matthew. (2016, February 12) Equity and Housing Interview (E. Hawkinson interviewer).



- a. Coordinate HOME, CDBG, TIF, Affordable Housing Fund, and Project-based Voucher award timelines to ensure that projects have awards in place in time to apply for Section 42 tax credits in January
- b. Coordinate HOME, CDBG, TIF, Affordable Housing Fund, and Project-based Voucher award criteria and processes so that projects that meet a common set of criteria in line with City and WHEDA priorities (access to transportation, schools, grocery, walkability, not in a concentration of poverty) get funded by the City and therefore score higher on their tax credit applications”<sup>146</sup>

### **The Low Income Housing Tax Credit in Iowa City**

Similar to tax abatement, improving the LIHTC strategy can help the City address its goal of diverse neighborhoods with all levels of income. It certainly is a way of providing an incentive for a developer to get involved with affordable housing projects. By streamlining the schedules, the application process becomes less daunting as it improves the likelihood of being awarded the project.

It can also help the City address the opportunities raised in our interviews by providing an avenue for partnerships. Partnerships between non-profits and for profit developers is a good idea because non-profits bring aspects to the project which helps the development score points for tax credit applications.

One challenge with LIHTC in Iowa City is that since 2008, land prices were not factored into the unit cost cap for LIHTC projects. Since Iowa City has some of the most expensive land prices in the State of Iowa, the higher cost made it difficult for these projects to be financially feasible. Beginning with the 2008 QAP, IFA would not award LIHTC projects if the cost per unit is greater than the HUD 221(d)(3) limits. With the cost of land included, the unit cost cap exceeded HUD limits.

Chapter 4 of the QAP introduces the underwriting section which provides the criteria to determine if proposed projects are financially feasible. Within section 4.9, the criteria for the unit cost cap is described. Section 4.9 of the 2014 and 2016 QAP are compared below to demonstrate the point of land costs:

- 2014 QAP Section 4.9 – “IFA shall not award LIHTC to a Project in which the cost per Unit is greater than the HUD 221(d)(3) limits listed in Appendix D. Enterprise Zone sales tax rebates and utility company rebates for energy efficiency measures will be included in the calculation of Total Project Costs. Projects receiving State and/or Federal Historic rehabilitation Tax Credits will be

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<sup>146</sup> 2015 City of Madison Housing Report. Market Rate Rental (2015, September 29)

allowed to deduct the residential portion of the Historic Tax Credit from the Project costs to allow for stricter rehabilitation standards.”<sup>147</sup>

- 2016 QAP Section 4.9 - “IFA shall not award Tax Credits to a Project in which the cost per Unit is greater than the Unit cost cap limits listed in the chart below. Enterprise Zone sales tax rebates and utility company rebates for energy efficiency measures will be included in the calculation of Total Project Costs. **Unit Cost caps do not include the Project’s land cost.** Projects receiving Federal Historic Rehabilitation Tax Credits will be allowed to deduct the residential portion of the Federal Historic Tax Credit from the Project costs to allow for stricter rehabilitation standards.”<sup>148</sup>

With the 2016 QAP, land costs were no longer included in the unit cost cap. However, land costs are still a factor in the siting of affordable housing. In addition to the high costs of land, it is increasingly difficult to find land with enough density for a LIHTC project. That is why a tool like land banking can be used to help make LIHTC projects more competitive.

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<sup>147</sup> Iowa Finance Authority. (2014). *Low-Income Housing Tax Credit: 2014 Qualified Allocation Plan*. Des Moines: Iowa Finance Authority.

<sup>148</sup> Iowa Finance Authority. (2016). *Low-Income Housing Tax Credit Program: 2016 Qualified Allocation Plan*. Des Moines: Iowa Finance Authority.

## Land Banking

Historically, the first land banks were created in response to the large decline in manufacturing jobs that resulted in an increasing number of abandoned and tax delinquent properties.<sup>149</sup> Properties that are vacant, abandoned, or tax delinquent are known as “problem properties” because of their adverse impacts on the community.<sup>150</sup> Through land banks, local governments acquire these properties and convert them into productive use. This is done either through a newly created public entity or currently existing programs such as housing authorities, redevelopment authorities, or planning departments.<sup>151</sup>

Land banking is something the City has talked about but to date has not been something the City has done. Most of the cities that have done this have purchased vacant, rundown properties in order to control the maintenance of the properties until such time that the local conditions allow for redevelopment, and at that time the properties are conveyed to an affordable housing developer, or to a developer who agrees to include some percentage of affordable housing units. The following section outlines some case studies that describe further the historical context and actual use of land banks.

### How does it work elsewhere?

According to Frank S. Alexander, a Sam Nunn Professor of Law at Emory University School of Law, the concept of land banks and land banking have been an evolution consisting of three different generations.<sup>152</sup> The first generation, as he refers to them, are land banks enabled in St Louis, Cleveland, Louisville, and Atlanta. Although authorized within different forms of state legislation, the first generation of land banks all had a common purpose for primarily addressing problem properties. The second generation refers to the land banks established in Genesee County, Michigan, and Ohio.<sup>153</sup> This second generation of land banks built upon the successes of existing programs by reforming tax foreclosure laws to allow for quicker acquisition and transfers of land.<sup>154</sup> The third generation consists of land banks that were established in

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<sup>149</sup> Alexander, F. S. (2005). *Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks*. Fannie Mae Foundation. Pg. 6-11

<sup>150</sup> *Ibid* at 10

<sup>151</sup> Center for Community Progress. (2016, January 19). *Frequently Asked Questions on Land Banking*. Retrieved from <http://www.communityprogress.net/land-banking-faq-pages-449.php>

<sup>152</sup> Alexander, F. S. (2011). *Land Banks and Land Banking*. Washington, D.C.: Center for Community Progress. Pg 20.

<sup>153</sup> Alexander, F. S. (2011). *Land Banks and Land Banking*. Washington, D.C.: Center for Community Progress. Pg 20.

<sup>154</sup> *Ibid* at 21

2011. These land banks were authorized in Pennsylvania, New York, and Georgia. The third generation continued to build upon the lessons learned by the first two generations of land banks but went even further in reforming land acquisition powers by city and state. The authorizing legislation of the third generation was conscripted to be as clear and direct as possible, so to allow for easy interpretation and avoid lengthy and costly legal proceedings that accompany the acquisition of problem properties.<sup>155</sup>

In Madison, Wisconsin, a land banking fund was created for use in development zones, known there locally as the Madison Development Zone Initiative. Since 2010, the land bank fund was awarded \$5 million by the City of Madison Capital Budget. The initiative provides low-interest funding for the acquisition of key parcels to be used for redevelopment and reduce barriers to rental housing development. The benefits for doing so allow local governments to strategically align funding sources and concentrate them into the designated redevelopment areas. The City also mandated that acquisition of these target areas must have clear outcomes and parameters (i.e. require a portion of units be affordable, mixed-use, etc.). The objective of Madison's land banking policy reads as follows:

- “This project provides funding to purchase and stabilize developable parcels of land. Priority will be given to parcels for which a development plan exists for a special area plan has been approved, but no development is forthcoming due to overall economic conditions or the financial condition of the developer, thereby making the parcels available at a below market price. Funds used for this purpose will be reimbursed through subsequent sale or ground lease of the property as part of the redevelopment or plan implementation process. The City will sell or transfer at market price any parcels purchased by the City with these funds. Upon sale by the City, these parcels are expected to remain taxable. All transactions shall be approved by the Board of Estimates and Common Council. The Department of Planning and Community and Economic Development will develop implementation guidelines for the use of these funds.”<sup>156</sup>

In 1999, The Valdosta-Lowndes County Land Bank Authority and Habitat for Humanity entered into a partnership that simultaneously moved 12 low-income families into homeownership and revitalize a blighted neighborhood.<sup>157</sup> The City of Valdosta agreed to acquire land within the Fellowship Place neighborhood and demolish any existing blighted structures for \$30,000.<sup>158</sup> However, according to Georgia law, public land was

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<sup>155</sup> *Ibid* at 21-22

<sup>156</sup> Madison Economic Development Division. (2010). *Land Banking Fund Guidelines*. Madison: Economic Development Committee.

<sup>157</sup> Alexander, F. S., & Toering, S. J. (2013). *Georgia Land Bank Resource Manual*. Washington D.C.: Center for Community Progress

<sup>158</sup> *Ibid* at 25

required to be sold at market prices and therefore could not be donated directly to Habitat for Humanity. State enabling legislature in Georgia allows for land banks to acquire land from government entities through easy transfers.<sup>159</sup> Once the land is in the land bank's inventory, it can convey that land to nonprofit organizations whose activities on that land will serve a public purpose. As a result, the Valdosta-Lowndes County Land Bank Authority was created as a way to acquire the Fellowship Place Neighborhood and directly donate parcels of land to Habitat for Humanity.

### **Land Banking in Iowa City**

For most land banks, the most common method to inventory land is through the acquisition of problem properties. The evolution of land banks have been a process of structuring them so that they are better suited to deal with these properties. In regards to Iowa City, there are relatively few parcels of property that fit this criteria. Furthermore, most if not all City-owned properties are owned and currently being used for a city purpose, such as parks, wastewater, public works/maintenance, sewer pump stations, etc.

However, land banking is a flexible tool and can be structured accordingly to better serve the existing and future needs of the City. A land banking function in Iowa City would consist of primarily open-market purchases as the City expands its boundaries. This would allow the City to make strategic land purchases and inventory these properties for long-term public purposes. Similar to tax abatement, land banking is tool to promote the city's goal for encouraging infill development and it can also be used in the creation of affordable housing. The land banking policy can have an element that requires the land be eventually conveyed to an affordable housing developer, or it can include an agreement that stipulates the inclusion of affordable housing on the property.

### **What will this cost?**

Since land banking in Iowa City would consist primarily of open market purchases, this section of the report seeks to provide a financial estimate for the raw cost of land and how many units can be added under an established zoning classification. Two vacant parcels were identified from the Iowa City Area Association of Realtors. The table below shows that the listing price for 7.9 and 4.05 acre parcels is \$2,500,000 and \$1,940,598 respectively. Assuming 20 percent for setback requirements and parking, if the 7.9 acre parcel was zoned RM-44, there could be a total of 278 units produced under the maximum amount of 44 units per acre. If 20 percent of those 278 units were set aside to be affordable at 80 percent AMI or less, around 55 units could be added to the affordable housing stock. More research is needed to determine the costs and benefits of land banking for the creation of affordable housing.

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<sup>159</sup> *Ibid* at 25

**Table 10- Land Banking Example Cost Estimate**

<b>7.9 Acres</b>		<b>4.05 Acres</b>	
<b>Cost</b>	<b>\$ 2,500,000</b>	<b>Cost</b>	<b>\$ 1,940,598</b>
<b>Total Units Added:</b>		<b>Total Units Added:</b>	
<b>RM-44</b>	<b>278.08</b>	<b>RM-44</b>	<b>142.56</b>
<b>RNS-20</b>	<b>126.4</b>	<b>RNS-20</b>	<b>64.8</b>
<b>RM-12</b>	<b>75.84</b>	<b>RM-12</b>	<b>38.88</b>
<b>20 % Affordable:</b>		<b>20 % Affordable:</b>	
<b>RM-44</b>	<b>55.616</b>	<b>RM-44</b>	<b>28.512</b>
<b>RNS-20</b>	<b>25.28</b>	<b>RNS-20</b>	<b>12.96</b>
<b>RM-12</b>	<b>15.168</b>	<b>RM-12</b>	<b>7.776</b>

*This table shows two examples of land parcels just outside of the city limits. These rough estimates suggest that if the City purchased approximately 12 acres of land for inclusionary housing – a cost of \$4.4 million – the City could see an increase of 83 affordable units (at the highest density allowed). Source: Iowa City Area Association of Realtors, Iowa City Zoning Code.*

## NEXT STEPS AND AREAS FOR FURTHER RESEARCH



1. **Tax Abatement:** We recommend the City of Iowa City continue researching the financial feasibility of a tax abatement program for affordable housing. We have established that this approach has the potential to aid the City in its goals for inclusive housing. The City can use our initial tax abatement criteria to help guide the development of such a program. However, we are limited in time and resources for fully building out the program. The City will need to undertake further research to implement this recommendation. Further research and questions include:
  - What is the financial cap the City could employ for the program without creating an unreasonable burden on other City services that rely on property tax funds?
  - How much of a particular project, what share of the total units, should be allocated to be “affordable?”
    - Based on our research, the greatest need is for households below 60 percent AMI.

- From a developer’s perspective, the tax savings have to be greater than the loss in rent associated with an affordable housing agreement with the City. What is the incentive the City can offer without sacrificing too much tax revenues?
  - Who needs to be involved with the consensus building and ultimately draft reviewing of a potential ordinance?
  - What agreement is needed to ensure these units remain affordable over time?
2. **Low Income Housing Tax Credit:** We recommend the City of Iowa City identify local funds that can be set aside for Low Income Housing Tax Credits projects. Unlike Federal funding, local funding be carried over, year-to-year until the next tax credit project is awarded.
  3. **Land Banking:** Iowa City is expected to experience continued population growth, largely due to increased UI enrollments and new additions to the UI Hospitals and Clinics. The City should identify strategic corridors for growth, utilizing land banks as a mechanism to support balanced growth and ensure a portion of the land is available for public purpose. One of those purposes being affordable housing. As with LIHTC, the City will need to identify local funding to be used to support these land banks.
  4. **Shared Agenda:** We recommend the City of Iowa City continue our communicative approach of building a shared agenda by including more stakeholders in the conversation. The most important partner in this future conversation will be the University of Iowa. As stated earlier, The University and the City have partnered before with the UniverCity program, and the UI’s continued growth in the community suggests a need to resume partnership efforts. Other groups to engage could include (and is not limited to): Neighborhood Centers of Johnson County, Shelter House, the Crisis Center, United Action for Youth, Domestic Violence Intervention Program (DVIP), Mercy Hospital, ACT, Pearson, Proctor and Gamble, and various representatives from subsidized housing. Having broad-based support from community leaders, business interests, anchor institutions, non-profits, and advocacy groups is important to create a consensus on affordable housing recommendations.



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