Affordable Housing Action Plan

CITY COUNCIL WORK SESSION

JUNE 21, 2016

CITY OF IOWA CITY
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Presentation Overview

Existing programs

Recent progress

Current efforts

New strategies

- City driven affordable unit production
- Market driven affordable unit production

Miscellaneous other topics

Summary of recommendations

Final thoughts

Existing Programs

Creating and maintaining an affordable housing stock

Existing Programs

Public Housing / Publicly Owned Housing
- 81 public housing units
- 10 publicly owned housing units in the Peninsula

Housing Choice / Veteran Supportive Services Vouchers
- 1298 vouchers with 98% utilization (1215 HCV / 83 VSS)

Community Development Block Grant (CDBG)
- 137 units supported in the last 3 years

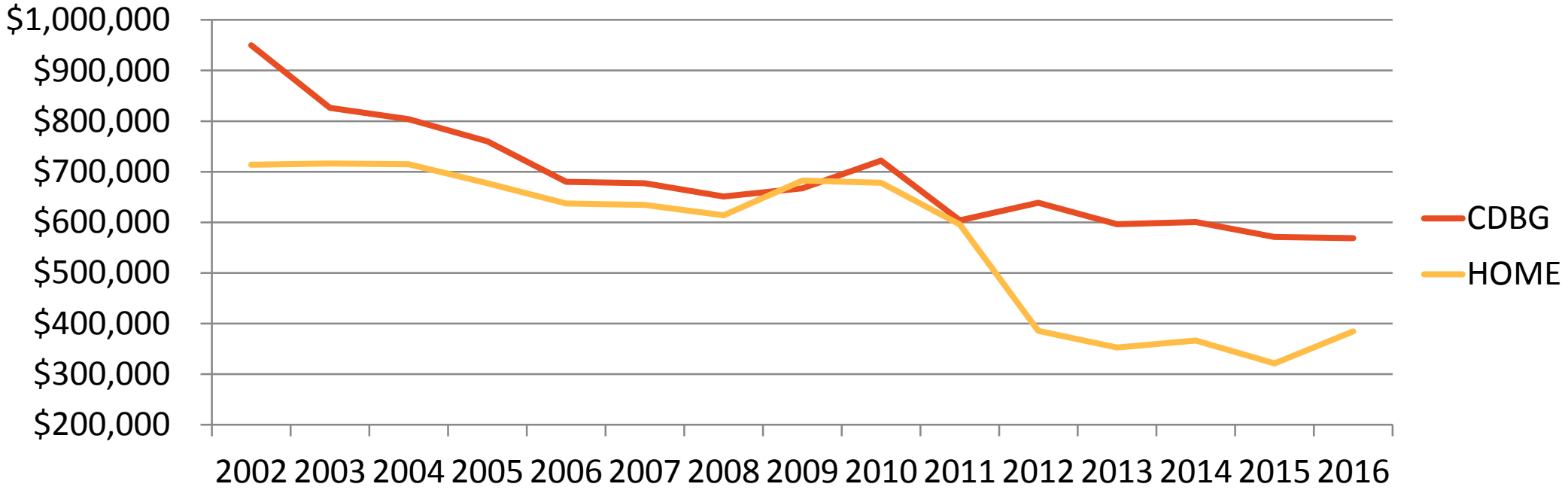
Home Investments Partnership Program (HOME)
- 93 units supported in the last 3 years

General Rehabilitation Improvement Program (GRIP)
- 24 units supported in the last 3 years

UniverCity Program
- Primary objective is neighborhood stabilization
- Secondary objective is affordable homeownership opportunities
- 16 of 54 houses have been sold at or below 80% of AMI

RFC Density Bonus Option

Trends in CDBG and HOME Funding



As demand for affordable housing has grown, traditional resources have declined and further reductions are anticipated

2013 Property Tax Reform

Pending financial pressures:

- Significant drop in multi-residential taxable value (11% of all taxable value)
- State revenue outlook will place increasing risk on ‘backfill’ dollars ($1.6m)
- Declining agriculture values will start to have impact on the ‘rollback’ further dropping taxable value of all residential properties
- Continued volatility in insurance and pension costs

Recent Progress

Expanding affordable and workforce housing through TIF and advancing Fair Housing

Recent Progress

Expanded Affordable / Workforce Housing Through TIF

- Sabin Townhomes (3 of 28 units to be affordable rentals)
- Riverside West Apartments (12 of 96 to be workforce rentals)
- Chauncey (5 of 66 units to be publicly owned housing)

CA Ventures Court / Linn (32 of 320 to be affordable rentals plus $1 million affordable housing contribution to the City)

Towncrest LIHTC Senior Housing- $600k City contribution (36 of 40 units to be affordable)

Single Family New Construction concluded with 141 new homes built with an average sales price under $180,000

Revised Tax Increment Financing Policy

- Adopted May 3, 2016 covering all Urban Renewal Districts
- 15% affordable housing requirement for projects with ten units or more
- Maximum 60% AMI for rental and 110% AMI for ownership
- Fee in lieu of may be negotiated to maximize impact

Strategy for Advancing Fair Housing

- Amended Human Rights Ordinance on February 16, 2016 to include Housing Choice Vouchers as a Source of Income

Current Efforts

Inclusionary housing, Housing First, and establishment of an affordable housing fund

Current Efforts

Inclusionary Housing in Riverfront Crossings

- City Council will consider adoption of an inclusionary zoning policy to be triggered by re-zonings in the Riverfront Crossings District

Housing First

- City Council considering code amendments to pave the way for the State of Iowa's first FUSE Housing First operation
- $275,000 of CDBG/HOME funds were also committed to the project in May 2016

Establishment of the City's First Affordable Housing Fund

- $1 million from the sale of the Court / Linn property was deposited into a newly created affordable housing fund
- Sale proceeds are not restricted in use

New Strategies – City Driven Affordable Unit Production

Adding new affordable housing stock through direct investment or mandates

New Strategies

City driven affordable unit production

Creation of units through annexation / development

- Traditional annexations
- Annexations / developments utilizing Tax Increment Financing

Development of a funding source

Use of the Iowa City Affordable Housing Fund

Opportunities with Annexation /Development

Traditional annexations

- Mandatory contribution to affordable housing
- Land dedication in or outside of annexation area
- Density bonuses

Annexation / development utilizing TIF

- When City assistance with public infrastructure is needed (Ex: Alexander School area)
- State law requires LMI set-aside when City participates in infrastructure to support residential development

Annexation / Development with TIF

McCollister Extension = $3,500,000

Required LMI set-aside = $1,575,000

- 45% LMI in County
- Collected over life of TIF as increment is produced (10 year period)
- Set aside can be used within the Urban Renewal Area or elsewhere in the community

Note: City does not need to use 100% of the TIF increment. In many cases it may be necessary to use a portion of the increment and allow the remainder to be distributed to the taxing bodies for operational support

Development of Funding Sources

Source	Annual Revenue	Notes
Local Option Sales Tax	$9-14 million	Requires referendum and neighboring community support. Could be coupled to address other needs (roads, parks, public facilities, CIT, etc.)
Utility Franchise Fee	$900,000 per every 1% increase (up to 4% increase is possible)	Requires City Council vote. This source may be needed in the future if we expand public safety operations as the community grows.
GO Bond	$100,000 - $1,000,000+	Requires City Council approval in the annual budget process and competes directly with other capital needs including roads, parks, trails and public facilities. City would pay interest on each issue thus increasing the cost.
Emergency Property Tax Levy	Up to $900,000	Requires City Council approval in the annual budget process. Levy can be adjusted from year to year. Conflicts with financial goals of diversifying revenue sources and lowering the tax rate

Development of Funding Sources

Source	Annual Revenue	Notes
Tax Increment Financing (TIF)	Varies based on district	District-wide increment can be used to support affordable housing projects in the same urban renewal area. This strategy is most viable in the Downtown and Riverfront Crossings areas. (City captures TIF increment for affordable housing; not project based)
Proceeds from Broadway Condo Sale	$1,300,000	Currently held one-time proceeds from previous sale of public housing. Funds must be used to purchase/develop low-income housing (80% AMI or below). Ultimately subject to HUD approval.
TOP / ADHOP Funds	$600,000	Currently held one-time proceeds from a previous sale of public housing units. HUD has approved use of the money for low income home ownership, public housing or the development/acquisition of new accessible affordable rental housing units for families at or below 80% AMI.

Iowa City Affordable Housing Fund

Newly established fund that includes the $1 million sale proceeds from Court / Linn and potential future annual revenue from the City and/or fee in lieu of contributions

No existing process for distributing the collected funds. Options include:

- Contribute all or portion of available funds to the Johnson County Housing Trust Fund
- Charge the Housing and Community Development Commission (HCDC) to make an annual recommendation in conjunction with the CDBG / HOME fund distribution process
- Hold and strategically seek land appropriate for banking
- Provide a local match for the Low Income Housing Tax Credit (LIHTC) program
- Seed a down payment assistance program that can be used in conjunction with affordable housing units produced through the Riverfront Crossings Inclusionary Zoning ordinance

Staff recommendation (to be adopted by City Council resolution and subject to change by the same action)

- 50% of all contributions to the Johnson County Housing Trust Fund
- 30% of all contributions held in reserve for land banking or emergent situations determined by the City Council
- 20% of all contributions directed toward projects seeking LIHTC with remainder going to the CDBG/HOME process
- Future contributions to the fund may be geographically restricted and will be accounted for accordingly

New Strategies – Market Driven Affordable Unit Production

Adding new affordable housing stock through changes in regulation and incentive programs

New Strategies

Market driven affordable unit production

Regulatory changes

Tax abatement

Strategic Low Income Housing Tax Credit Investments

Regulatory Changes

Waive parking requirements for affordable units in the Riverfront Crossings and Downtown areas

- Lower the cost of construction and provide incentive to include affordable units

Review opportunities to relax multi-family design standards but do not create a separate standard for buildings with affordable units

- Lower the cost of construction and expedite building approvals

Eliminate minimum size for Planned Unit Developments (PUD)

- Create flexibility to cluster density in infill situations and provide for units that are affordable by design

Increase allowable bedrooms from 3 to 4 outside of the University Impact Area (keep occupancy restrictions at 3 unrelated)

Permit more building types by right as opposed to requiring a PUD, which many developers seek to avoid

- Density bonuses by right
- Greater use of duplex, triplex and fourplex types in certain zones
- Introduce Cottage Clusters as an allowable use in residential zones and permit them by right
- Tradeoff between allowing by right versus a public process that allows for neighborhood input

Contemplate a form-based code for the Alexander Elementary School neighborhood and for the downtown transitionary neighborhoods

Tax Abatement

State law provides the ability for cities to create a revitalization area and subsequently provide for tax abatement on residential projects (tax abatement is an exemption of the value of specified improvements that are subject to property tax)

While residential tax abatement programs have been offered by cities throughout the State, staff is not aware of any that are tied directly to the provision of affordable units

A tax abatement program may potentially be created that provides exemption from taxes on a specified scale

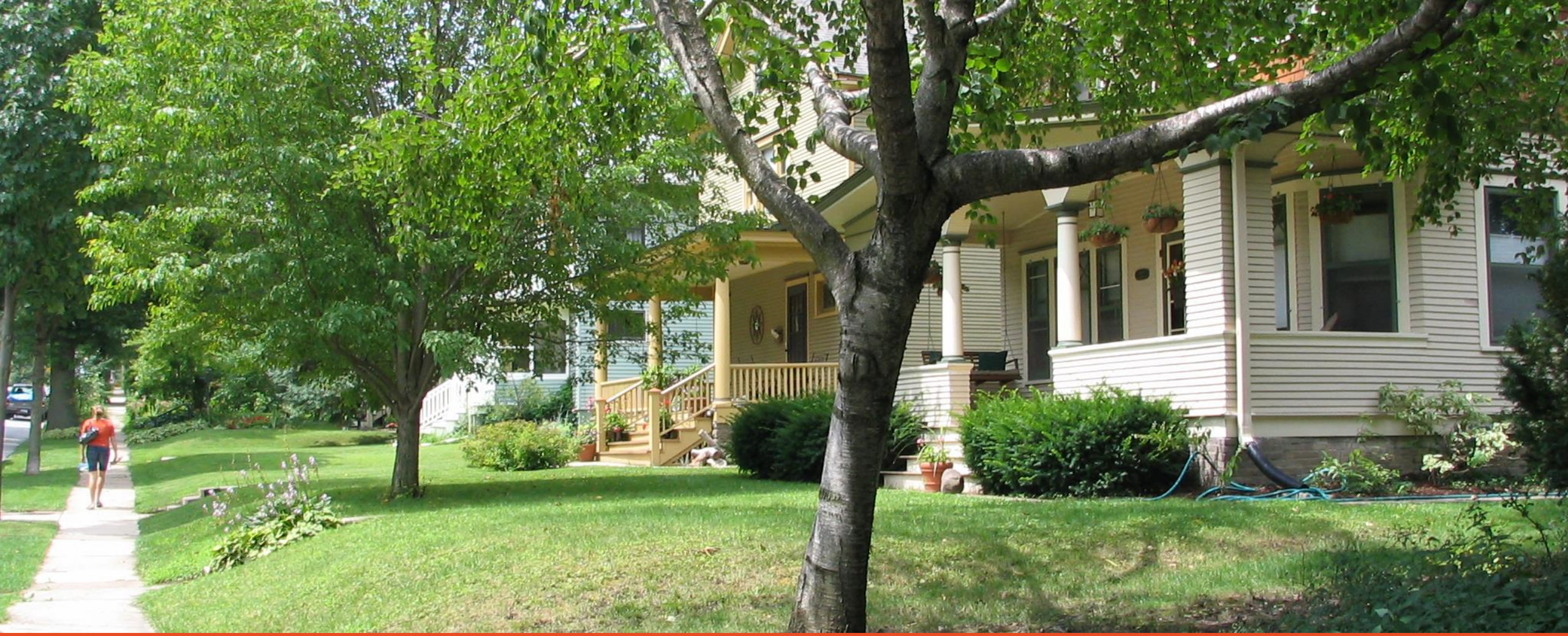
- Could include new construction and rehabilitation
- City may be able to create certain requirements such as affordability standards and accessibility features beyond what the building code requires
- In order to limit financial exposure, the City may be able to cap the annual amount of taxes that can be exempt under such a program

Staff recommends a stakeholder committee be created to vet this concept similar to the process used for the RFC Inclusionary Zoning effort

Low Income Housing Tax Credits (LIHTC)

Conduct an annual Request for Proposal Process (RFP) for LIHTC projects

- Process would seek proposals that align with the state scoring criteria
- City staff and the Housing and Community Development Commission (HCDC) would review proposals and award funding from the Affordable Housing Fund
- If no LIHTC projects are received or determined to be viable then HCDC would use such funds in the regular CDBG / HOME application process or recommend rolling funds over to the following year's LIHTC RFP process
- City could consider such an RFP process specifically for land it has banked in the future
- Project based vouchers could also be considered along with locally funded vouchers in order to make applications for LIHTC more attractive



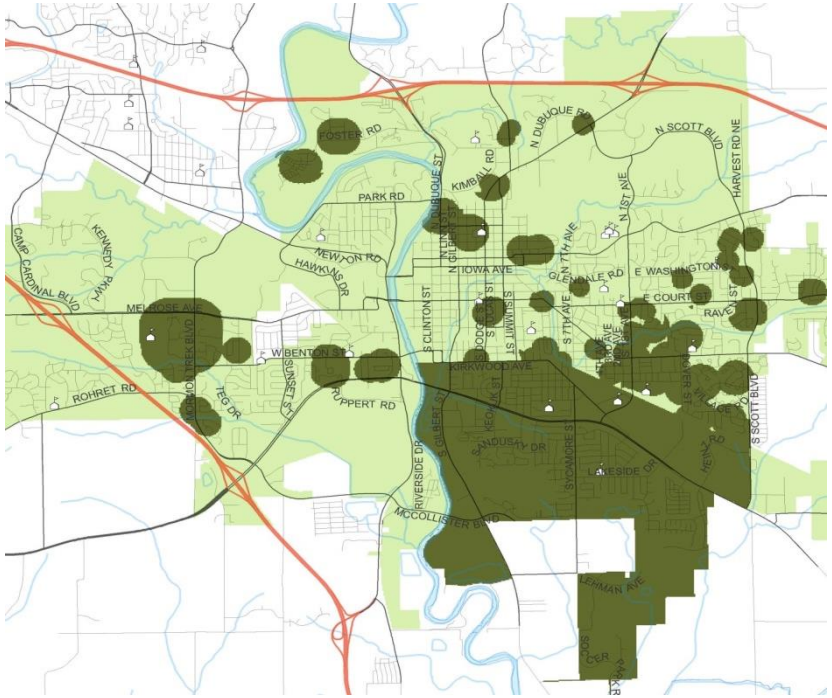
Miscellaneous Other Topics

Tenant displacement, location models and rental permits

Miscellaneous Other Topics

Affordable Housing Location Model

- Exempt the RFC, Downtown and the University Impact Area
- Consider changes to reduce distance of restricted areas and/or account for neighborhood densities in a manner that might allow for additional units in restricted areas.
- Staff does not support eliminating the model and believes scattered site subsidized housing is a long-term strategy that is in our best interest as a community



Miscellaneous Other Topics

Collecting Rent Data on City Permits

- The need for reliable rent data is understood, but rental permits are not the best mechanism for collecting such data
- Permits are on a two year cycle and rents can fluctuate within that period
- Staff has no ability to verify accuracy of rents and limited resources to analyze the data in any meaningful manner
- A point in time analysis using rental advertisements or other similar methodologies may produce more meaningful results

Miscellaneous Other Topics

Tenant Displacement

- Council approval of major site plans when 12 or more households will be displaced and there is no accompanying rezoning
  - Such applications would require a transition plan to better inform residents and the general public (requires a comprehensive plan amendment)
  - Mailings to current residents could be required upon application and a good neighbor meeting would be encouraged consistent with current policy

Rent abatement for emergency orders when vacation of property is not necessary

Conclusion

Summary of Recommended Actions

1. Continue to fund existing local programs including GRIP and UniverCity
2. Adopt an Inclusionary Zoning code amendment for the Riverfront Crossings District
3. Adopt code amendments that enable the FUSE Housing First use in the community
4. Provide staff funding direction heading into the FY 18 budget process
   - Staff recommends aiming for $500,000 to $1,000,000 depending on budget conditions
   - Recommended revenue sources include district-wide TIF in the urban core and property tax
5. Develop an annual process for distributing dollars from the City's newly created Affordable Housing Fund
   - Staff recommends 50% to the Johnson County Housing Trust Fund
   - 30% held in reserve for land banking or emergent situations determined by the City Council
   - 20% directed to HCDC for LIHTC support or supplemental aid through the CDBG / HOME application processes

Summary of Recommended Actions

6. Hold the $1,900,000 million in housing authority funds for an opportunity to leverage significant private investment and/or to develop/acquire low income replacement housing
7. Consider an annexation policy that provides for affordable housing contributions
8. Consider use of TIF on a case by case basis to support residential development and/or annexation through the provision of public infrastructure and capture the required LMI set-aside for use throughout the community (Ex: McCollister and Foster Road)
9. Pursue regulatory changes to City Code:
   - Waive parking requirements for affordable units in RFC and downtown
   - Review possible changes to the multi-family design standards for all units in an effort to reduce cost and expedite approvals
   - Eliminate minimum size requirements for PUDs
   - Increase allowable bedrooms from 3 to 4 outside the University Impact Area (keep occupancy at 3)
   - Permit more building types by right as opposed to requiring a PUD process (density, multiplex units, cottage clusters, etc)
10. Pursue a Form-based code for the Alexander Elementary neighborhood and the downtown core

Summary of Recommended Actions

11. Strategically seek LIHTC projects through an RFP process overseen by the HCDC (ties to use of the Affordable Housing Fund)
12. Create a committee of staff, developers and other interested stakeholders to determine the viability and potential parameters of a tax abatement program that would support affordable housing
13. Exempt the Riverfront Crossings, Downtown and University Impact Areas from the Affordable Housing Location model and consider modifications to reduce size of restricted areas and/or account for neighborhood densities
14. Tenant Displacement
    - Council approval of major site plans when 12 or more households will be displaced and there is no accompanying rezoning
      - Such applications would require a transition plan to better inform residents and the general public (requires a comprehensive plan amendment)
      - Mailings to current residents could be required upon application and a good neighbor meeting would be encouraged
15. Rent abatement for emergency orders when vacation of property is not necessary

Final Thoughts

Expectations for action should be high, but realistic. Progress will take years, if not decades, and span political terms. Strategies must be flexible, provide for opportunistic action, and be able to be maintained over time.

No silver bullet solutions – cities across the country are struggling immensely with this issue and many tools utilized in other States may not be permitted in Iowa (e.g. rent control)

Market rate housing is not the enemy – all supply matters

- From 2010-2014 Iowa City averaged 197 single-family, duplex and townhome housing permits per year (Coralville 60, North Liberty 199) and 285 multi-family permits (Coralville 72 and North Liberty 71)
- Demand for housing projected to be strong across all demographics, particularly students and seniors, but also families and urban dwellers
- If these demands are not met there will be more pressure on the overall housing stock and competition drives prices up for all buyers

Iowa City must be strategic about growth

- Smart growth strategies and a focus on quality will sustain strong demand for decades and ensure public services can be delivered efficiently and cost effectively – build up more than out – expect neighborhood pushback
- Should not lose sight of scattered site location principles
- Student housing demand will continue to place more pressure on neighborhoods and create demand for large scale student developments on the periphery of the community and in neighboring communities. We must continue to provide student housing opportunities close to campus, which will most appropriately be in the form of dense urban developments.

Next Step

Community feedback

- Request comments from the City's Housing and Community Development Commission
- Allow for feedback from local housing organizations , advocacy groups., and developers. Staff is able to present this to various groups who express an interest in the strategy
- Consult with adjacent cities and Johnson County to see if there is interest in a regional funding source or shared action strategies
- Utilize one of the August or September work sessions to review feedback and provide staff direction on which strategies to pursue

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