

Iowa City Riverfront Crossings Affordable Housing Requirement Administrative Rules

Updated June 1, 2021

The Iowa City City Council has established an Affordable Housing Requirement in certain areas of the City. Pursuant to Iowa City Code of Ordinances 14-2G-8, the City Manager does hereby establish rules deemed necessary and not inconsistent with 14-2G-8 to assure that the purposes of the Affordable Housing Requirements are accomplished. These Administrative Rules shall be placed on file with the City Clerk and made available on the City of Iowa City website.

I. General Requirements

Rezoning

Upon rezoning property to a Riverfront Crossings zoning designation, the owner will be required to enter into an agreement with the City to indicate which method or methods it will use to achieve the affordable housing requirement. Typically, this agreement will take the form of a conditional zoning agreement, which must be executed prior to the close of the public hearing on the rezoning.

Subdivision

Upon subdividing property in the Riverfront Crossings District, if there is no zoning agreement indicating the method or methods the owner will use to achieve the affordable housing requirements, such indication shall be made in the Developer's Agreement executed contemporaneously with the final plat approval.

Building Permit

Contemporaneously with an application for a building permit, an owner or developer shall complete the "Application Regarding Riverfront Crossings Affordable Housing Requirement", attached hereto as Exhibit A. This application shall be filed with Neighborhood Development Services (NDS) with the application for the building permit.

NDS will process this application along with the building permit application, so that the building permit and an affordable housing agreement can be entered into contemporaneously. No building permit may be issued unless and until such an agreement has been executed. The agreement shall take a form substantially similar to that attached hereto as Exhibit B. The City Manager has the authority to execute this agreement, which shall be recorded in the Johnson County Recorder's Office pursuant to 14-2G-8(c).

II. On-Site Owner-Occupied Affordable Housing

Determining Income

The seller shall be responsible for determining the income of the prospective buyer's household to determine eligibility for the affordable owner-occupied units **before** closing on the sale. If the

sale does not close within six months after the income-eligibility determination has been made, the seller must re-examine the homebuyer's income. The City's consent to the sale is required and will be granted upon the City's confirmation that the buyer's household is income eligible and the purchase price complies with the ordinance and these rules. At least 30 days prior to closing, after the seller determines that the buyer is income-eligible, the seller must submit the requisite income documentation to the Director of Neighborhood Development Services. The Director or designee will, within 5 business days of the submittal, review the documentation, request any necessary additional documentation, and confirm or deny the income-qualification determination. This confirmation or denial will be in writing sent to the seller either via email or through the United States Postal Service at the seller's discretion.

The seller and the City shall use the annual income definition set forth in the HUD Part 5, Section 8 regulations found at 24 CFR 5.609, as amended, to determine if the household is income-eligible. The Part 5 definition of income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. In performing its review of the income qualification, the seller shall submit a completed "Calculating Part 5 Annual Income" (Exhibit C) detailing the proposed buyer's income and shall provide the supporting documentation attached thereto. Income-eligibility must be documented with source documents such as wage statements (or three months of pay stubs), bank statements, letters from public assistance agencies that identify assistance amounts (Social Security, welfare assistance, etc.), and documentation of income received in periodic amounts such as from retirement funds or pensions.

Exhibit D provides a comprehensive list of income that is included and excluded from the calculations of annual income under Part 5.

Median income is based on HUD's HOME income limits for the Iowa City, IA HUD Metro area, adjusted annually per household size (current limits identified in Exhibit F). Median income is based on household size. If a household consists of a parent and child, it is a two-person household. If two unrelated adults share a household, incomes from both must be included as they would be considered a two-person household.

If the homebuyer is a full-time student, the student is eligible if neither parent claims the student as a dependent on their state or federal taxes. Documentation from both parents must be submitted to verify, unless extenuating circumstances make such production impossible.

Dwelling Unit Size and Quality

The affordable dwelling units must be comparable to the market rate units of the same type. The affordable dwelling units shall be at least 80% of the floor area of the market rate units. The affordable housing dwelling units should have the same number of bedrooms and types of amenities as the market rate units, unless otherwise approved by the City Manager.

Location

The affordable housing units shall be distributed throughout the development to avoid concentration of units, unless a different distribution will result in the provision of additional affordable housing units. This may be approved on a case by case basis by the City Manager. Should the City Manager agree to allow the affordable units to be located together, a finding that such a concentration will result in the provision of additional affordable housing units should be set forth in the Affordable Housing Agreement. The additional affordable housing units created to

allow this concentration will be subject to the same use restrictions as any other required affordable housing unit under 14-2G-8.

Sales Restrictions

For newly-constructed owner-occupied affordable housing units, the 2021 maximum sale price is \$247,000, regardless of the number of bedrooms, which is based upon the HUD Homeownership Sales Price Limit for Johnson County. The maximum sale price for subsequent sales of an owner-occupied affordable housing unit during the term of affordability shall not exceed the original purchase amount paid by the original homeowner or the HUD Homeownership Sales Price Limits for Johnson County, IA, adjusted annually, whichever is greater, except for those allowable expenses set forth in 14-2G-8D(2)(d).

In all cases where an owner-occupied affordable housing unit is to be sold, the City must approve the purchase price and the determination that the buyer is income-eligible. The seller must submit any and all documentation supporting the sales price to the Director of NDS in a timely manner at least 30 days prior to closing in order for the City to analyze the information and properly consider the request prior to closing. In determining whether to approve a sale price, the City will consider the following:

- 1) Customary closing costs and costs of sale to be those identified in the Iowa closing disclosure statement, such as title services, appraisal, recording and loan origination fees.
- 2) Permanent Capital Improvements. In cases where the homeowner has installed capital improvements, the value of these improvements, as documented by receipts and the building permit documents, may increase the sales price by the amount of the eligible improvement. A capital improvement increases your home's value, while a non-eligible repair returns something to its original condition. Replacing a countertop or bathroom feature would not be considered an eligible capital improvement. An example of a capital improvement would be the addition of a bathroom.

The Director or designee will, within 5 business days of the submittal, review the documentation, request any necessary additional documentation, and confirm or deny the sale price. This confirmation or denial will be in writing sent to the seller either via email or through the United States Postal Service at the seller's discretion.

At closing, the deed shall contain a restriction as set forth in 14-2G-8 and the buyer shall execute a resale agreement acknowledging and agreeing to the use restrictions described herein, in a form to be approved by the City Attorney and recorded at the buyer's expense.

Owners are cautioned about significant capital improvements as the home must be sold to an income eligible homebuyer under 110% of median income. If the price exceeds the maximum HUD Homeownership Sales Price Limit, the potential number of income eligible buyers may be reduced.

III. On-site Affordable Rental Housing

The initial income qualification process for on-site affordable rental housing shall be the same process as set forth above for on-site owner-occupied affordable housing, except that an owner must contract with a 3rd party (accountant or affordable non-profit housing provider) to certify income before the tenant leases the unit to verify income eligibility as well as review the income

qualifications for tenants occupying designated affordable housing dwelling units annually to determine continued compliance. The reexamination shall be completed annually and before execution of a lease renewal. For lease renewals, the City will accept a copy of the most recent federal tax form (Form 1040) submitted by all adult members of the household, as income verification.

If the tenant is no longer income eligible, notwithstanding the location requirement set forth in the Code and as approved by the Director of NDS, the next available unit with the same bedroom size or larger in the project property must be rented to an income eligible tenant.

The property owner shall submit an Annual Tenant Housing Report (Exhibit E) for the designated affordable housing rental units. The report shall be submitted each January 30 for the preceding calendar year throughout the compliance period. At a minimum, the report shall include the name of the household, unit number/address, lease dates (most recent lease or renewal date), rent amount, number of bedrooms, size and income of the household. Neighborhood Services staff shall verify compliance within 30 days and may request income documentation for all or a portion of the qualifying tenants.

The property owner shall retain tenant income and rent for the most recent three years, until three years after the compliance period.

Rental Rate

The monthly rate for the affordable housing units shall not exceed the HOME Fair Market Rent, per applicable bedroom size, as published by HUD for the Iowa City, IA HUD metro area, as adjusted annually. These rents may be found online at www.icgov.org/actionplan under HOME Table of Income Guidelines and Fair Market Rent (2021 rents identified in Exhibit F).

IV. Off-Site Affordable Dwelling Units or Dedication of Land

If the owner desires to satisfy this obligation through off-site affordable housing or through the dedication of land, the owner must establish that it would be infeasible to provide the affordable units on-site or to provide a fee in lieu of the on-site units, as reasonably determined by the City. If the owner is able to establish this, the City's determination must be reflected in the findings of the conditional zoning agreement.

If the property is not subject to a conditional zoning agreement already establishing the method of achieving affordability and the owner desires to satisfy this obligation through off-site affordable housing or through the dedication of land, the owner must establish that it would be infeasible to provide the affordable units on-site or to provide a fee in lieu of the on-site units, as reasonably determined by the City. If the owner is able to establish this, the City's determination must be reflected in the findings of the affordable housing agreement.

In reasonably determining whether an owner has established that providing the units on-site or paying the fee in lieu thereof is not feasible, the City will consider such factors as whether the cost of constructing the unit exceeds the current maximum sale price for affordable units, as set forth in the Code of Ordinances, and whether the common maintenance expenses each owner would be required to pay would be cost prohibitive for income-qualified households.

The off-site affordable housing units may be satisfied by designating existing or newly constructed dwelling units in the Riverfront Crossings District, as defined in Iowa City Code 14-2G-2, as may be amended from time to time, as affordable dwelling units, subject to the use limitations set forth in 14-2G-8 and herein.

V. Fee-in-Lieu Contribution

In lieu of providing affordable housing dwelling units, an owner may contribute a fee to a riverfront crossings district affordable housing fund to be established by the city. The City Council adopted Resolution 20-230, on September 15, 2020, setting the fee at \$112,853 per unit. The fee-in-lieu contribution shall be made prior to issuance of any building permit for the development for which affordable housing is required pursuant to City Code 14-2G-8.

Exhibits

- A. Application Regarding Riverfront Crossing Affordable Housing Requirement
- B. Affordable Housing Agreement
- C. Calculating Part 5 Annual Income
- D. Income Inclusions and Exclusions
- E. Annual Tenant Housing Report Form
- F. Table of Income and Rent Limits