

Iowa Finance Authority HousingIowa Awards – Innovation

South District Home Investment Partnership Program (City of Iowa City)

Too often, cities have neighborhoods that lack reinvestment, experience disproportionate nuisances, suffer from stagnant property values, and lack opportunities for homeownership for those with limited incomes. Iowa City is no different. The South District neighborhood (with a focus on Taylor Drive and Davis Street) has many of these attributes. Homes in the neighborhood experienced, on average, a \$2,420 decrease in assessed values over the last 10 years. Of the 188 homes, 89% are rental properties, mostly duplex units. The number of nuisance calls in this neighborhood were exceeded only in the downtown commercial district where the City's entertainment and bars are heavily concentrated and where there are large numbers of student rentals.

The City targeted this neighborhood to improve the housing stock, promote affordable homeownership, decrease nuisance calls and reinvest in the neighborhood. The Census block group that incorporates this neighborhood reports that 52% are white, 35% are black and 12% of the persons in the neighborhood report having Hispanic/Latino ethnicity. Due to the number of persons of color in this neighborhood, the City completed an Equity Impact Review toolkit to ensure persons of color do not experience disproportionate negative impacts.

The City met with the South District Neighborhood Association, completed a walk through of the neighborhood to discuss needs and possible plans with neighbors, and solicited input from the Johnson County Affordable Homes Coalition. Several residents expressed an overwhelming desire for the City to invest in their neighborhood, but with a few caveats.

Based on input from the neighborhood and affordable housing advocates, the following program was developed and implemented:

- The City will purchase duplexes to convert to affordable homeownership. The duplexes must be vacant, the tenant(s) must notify the City they are not renewing their lease or the tenant must be interested in purchasing one of the units.
- The current rental rate in the neighborhood is 89%. In no circumstances, will the City financially support the conversion of more than 35% of the total homes on Taylor Drive and Davis Street to homeownership to preserve affordable rental opportunities.
- The City will complete rehabilitation on the units, up to \$35,000 for each unit, as a forgivable loan based on the number of years they remain in the home. Rehabilitation will include energy efficiency and landscaping improvements to reduce monthly energy costs and move water away from the foundation.
- Up to \$25,000 in downpayment assistance through the City's HOME funds are available based on the financial need of the applicant.
- The City will market to the neighborhood and provide a preference to those already living in the neighborhood.
- The City will require and pay for applicants to complete homebuyer and consumer credit counseling through a local HUD approved organization to get applicants ready for homeownership. If the applicant doesn't qualify for a home now, they may in the future.

- The City will partner with Habitat for Humanity to provide basic home maintenance classes for new homeowners. These classes are not mandatory, but they will be open to applicants.
- Upon the initial sale, the original purchase price and any costs incurred over the \$35,000 in rehabilitation is paid back to the City so that the funds are available to purchase another home.

The City purchased its first duplex under this program on July 1, 2019 for \$124,000 (\$62,000 per unit) on the corner of Sandusky Avenue and Davis Street. The property had recently sustained fire damage and was vacant. Rehabilitation included new siding, garage doors, yard fence, updated electrical, and a complete interior renovation. Energy improvements included the installation of solar panels, insulation, Energy Star rated appliances, new windows and doors and additional landscaping and tree planting.

The renovated two bedroom homes each appraised for \$144,000. The City sold each home this spring for \$115,000, the cost the City invested into the home including purchase price, rehabilitation funds and carrying costs such as utilities, loan interest, and taxes. Both buyers were under 50% of median income and were residents of the neighborhood. Combined, the buyers had rented on Taylor Drive for over 21 years. Both buyers were able to acquire the homes with estimated monthly housing costs (mortgage, insurance and taxes) of approximately \$510. The HOME Fair Market Rent in Iowa City for a two-bedroom unit is \$902.

The new owners were able to finance the homes with bank loans of less than \$58,000 due to the financing structure of the program. The homes are sold with two City mortgages on the property. The first City mortgage is for the \$35,000 in invested City rehabilitation funds, which is forgiven after 10 years. If the home is sold before 10 years, \$3,500 is forgiven each year and the owner repays the City for the years remaining in the compliance period. The second mortgage is for the HOME downpayment assistance provided, up to \$25,000. HOME funds are forgiven after either 5 or 10 years, depending on the amount of funds provided. If the home is sold before the funds are forgiven, the net proceeds of the sale is shared between the City and buyer, up to the HOME amount provided. The buyer also signs a deed restriction that states the home must remain owner-occupied. They can sell the home to an interested buyer, but it must remain owner-occupied.

In a City where the average owner-occupied housing value is \$203,500, purchasing a newly renovated, energy efficient home with a loan of less than \$58,000 is rare, if non-existent. The City purchased its second duplex this winter and renovations are underway. The City hopes to expand this program in the future by partnering with Habitat for Humanity to complete renovations, provide financial counseling to applicants and help market the program within the neighborhood.

The program can be duplicated in other neighborhoods and by other communities. The City will evaluate measures of success once at least six units are completed. The City will review the number of nuisance complaints in this neighborhood, building permits issued and assessed values as well as the number of persons of color who are able to purchase a home in the neighborhood.

Overall, the South District Program is providing affordable homeownership opportunities that allow greater housing stability for South District residents. The program was developed with and for the neighborhood. Though only in its early stages, the program already has been successful at showcasing how investment in this neighborhood can go a long way in benefitting those who live there.

South District Home Investment Partnership Program

1232-1234 Sandusky Drive

After Renovations:



Before renovations:



Sustainability Improvements:

- Installation of solar panels
- Spray foam/added insulation
- Energy Star rated appliances
- Landscaping and trees planted
- New windows & doors
- Long life-cycle flooring

Additional Improvements:

- New siding
- New garage doors
- Fenced yard
- Updated kitchens and bathrooms
- Interior paint & trim
- Additional egress window in basement
- Upgraded electrical



Completed kitchens:



Completed bedroom/living areas:



Before/Progress Photos: 1232-1234 Sandusky Drive

