

Maintaining housing affordability: The role of university partnerships in Iowa City and other communities

by Taz George and Marva Williams

The Community Development and Policy Studies (CDPS) Division of the Federal Reserve Bank of Chicago works across the Seventh District¹ to improve the socioeconomic prospects of low- and moderate-income people, in addition to working with community leaders to bring development and reinvestment opportunities to underserved communities. Our district comprises urban centers, suburban, exurban, and large rural areas, and the issues facing these areas vary widely. This article explores the significant rental housing shortage in Iowa City (Iowa's fifth largest city and the county seat of Johnson County) stemming mostly from the large University of Iowa (UI) student population, of which the school houses less than 20 percent. Accordingly, local residents must contend with a large population of students vying for the same, limited supply of rental units. The student population has contributed to increasing rents and a deeper deficit of affordable housing.

CDPS began working this year with the Place-Based Inclusion Working Group, a group of university professionals and affordable housing advocates that organized to formulate strategies and encourage UI administrators to work in partnership with community groups to address the city's housing shortage. In early May 2016, CDPS facilitated a meeting with UI administrators, local government leaders, and housing advocates with university professionals who have entered partnerships to improve local communities. A separate, public meeting with (other) affordable housing advocates, residents, and students provided a means to share best practices and findings from the first meeting more broadly.

This article comprises two main elements; the first is a review of this process and those meetings. It begins with an overview of how UI policies have impacted affordable

housing markets in Johnson County, the county home of Iowa City. The second section describes university partnerships that involve institutional engagement to address local housing issues and other local needs, shared by three university professionals from Drexel University, the University of Minnesota, and the University of Illinois at Chicago. The conclusion is a short description of next steps.

Affordable rental housing in Iowa City and Johnson County

Iowa City is the home of the University of Iowa. Demographic data from Decennial Census and American Community Survey estimates show that the population of Johnson County, where Iowa City is located, is undergoing significant changes. The county is growing rapidly, with a population of 144,251 in 2015, an increase of almost 30 percent from 2000. Johnson County is the third largest county in Iowa, after Polk (Des Moines) and Linn (Cedar Rapids) counties. The diversity of Johnson County has also grown. Blacks were 2.9 percent and Latinos were 2.5 percent of the population in 2000. By 2015, the percent of blacks and Latinos doubled and the percent of whites decreased from 90 percent to 85 percent. Further, the percent of foreign-born residents increased from 6.4 percent in 2000 to almost 10 percent in 2015. The percent of people living in poverty decreased slightly from 15.9 percent in 2000 to 15 percent in 2015.

With an enrollment of over 32,000 students, UI is the largest university in the region,² offering wide-ranging undergraduate and graduate courses of study. Enrollment at UI has increased significantly over time, from less than

20,000 students in the late 1960s (see chart 1) to over 30,000 students in 2006.³ Students comprise 23 percent of the county’s population; in contrast, the statewide (and national) proportion is about 8 percent of the population.⁴

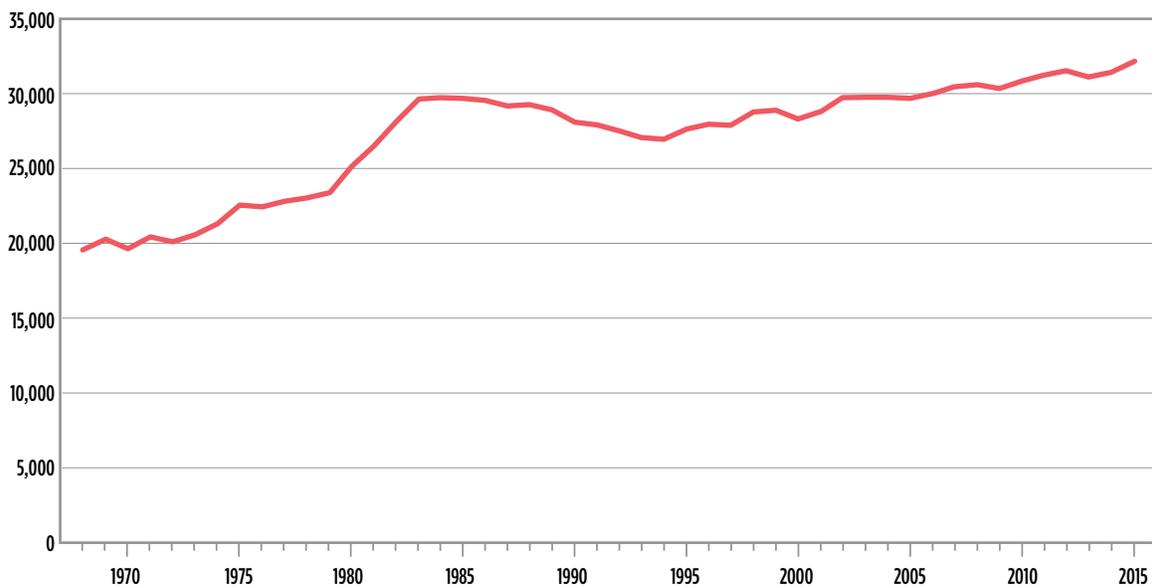
Like most large universities, UI is an economic anchor of Iowa City. It employs almost 23,000 people,⁵ and its hospital system has over 12,000 health care practitioners and support staff.⁶ In fact, UI is aware of the challenges it presents in terms of the local housing supply. The staff is so large that, to ease the strain in Iowa City and disperse employees, UI has moved some of its operations to Coralville and North Liberty, two suburbs of Iowa City.

Chart 2 shows the ratio of UI dorm capacity to students. The rate has declined from over .20, or one dorm space per five students, in the early 1990s to .17 in 2016 because UI did not add new dormitories for its growing student population. From 1968 to 2014, no new dorms were constructed, although the student population grew by 60 percent. Further, although one new dorm was established in 2015, and another is projected to open 2017, the ratio of dorm capacity to students is expected to still be roughly .20 in 2017.⁷

There are few studies of UI student satisfaction that inquire about student views on housing at UI. However, there are a few examples of dissatisfaction with the status quo. Graduate students expressed concerns about an increase in rent at a private student development, which rose by 10-12 percent from 2014 to 2016. In the spring of 2016, students from a communications class documented the views of 200 students living in off-campus housing through small group discussions. Although the results may not be generalizable to the entire student body, several trends emerged. First, security is a major concern. Students provided examples of apartment buildings with no locks on exterior doors, broken door handles, and broken windows that made their residences vulnerable to burglars. Second, students complained about the high cost of their housing. Many spoke about having to take jobs to pay for housing and the stress they felt due to high rent. Third, students felt that large leasing companies that manage student off-campus housing are difficult to reach and unresponsive to complaints from renters. Last, students complained about living conditions. They described broken appliances that were not repaired or replaced for several months.⁸

UI students seeking housing have a deleterious impact on the cost of housing in several respects. First, income-

Chart 1. UI fall student enrollment, 1968-2015



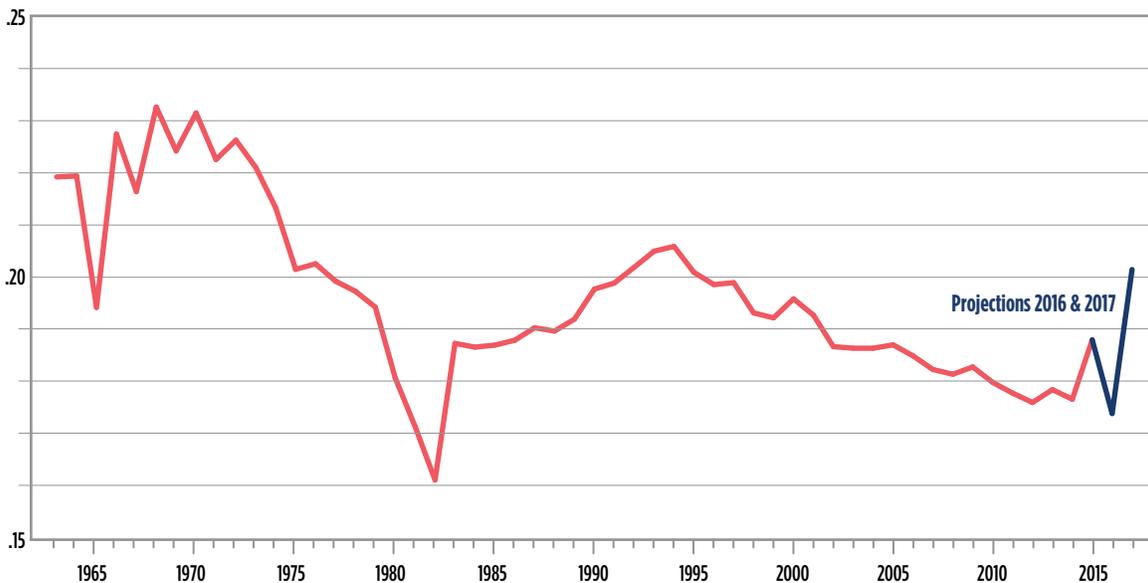
Source: Hawkinson and Garza (ND).

constrained students compete with lower-income (non-student) households. According to Iowa City and affordable housing advocates, multiple students living in remodeled single family homes often pay in total more than a single family would pay for the entire structure. The demand inelasticity resulting from such a large student body and relatively little campus housing has contributed to a very low average vacancy rate of 2.1 percent among rental housing units in Johnson County from 2010 to 2014; across the state, the rental vacancy rate over the same period was about three times higher at 6.2 percent.⁹ Second, as reflected in the focus groups of students, disinvestment in student leased units has led to decay and problematic property management.

The result is of these factors is high rent cost burdens, according to American Community Survey estimates.¹⁰ As of 2014, 57 percent of Johnson County renters experienced high housing cost burden, meaning they spend 30 percent or more of income on rent. Rental households facing high housing cost burden have less resources for cost of living expenses like food and transportation, and may find it more difficult to save for future investments such as a mortgage down payment or retirement fund. The problem has worsened over time as rental costs have outpaced renter household income,

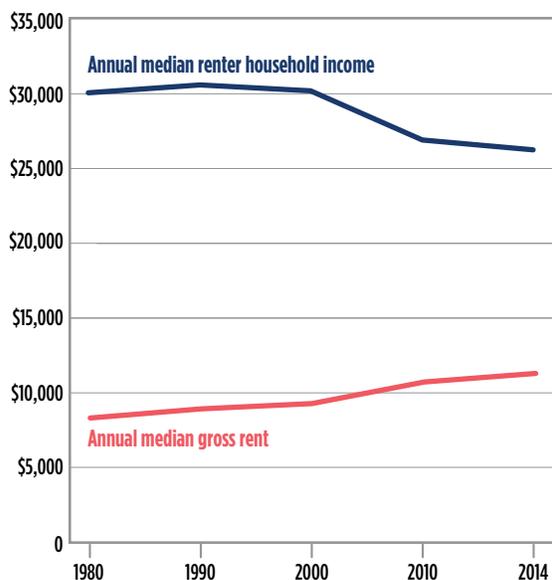
as chart 3 illustrates. Since 1980, median gross rent in Johnson County has increased by 35 percent after inflation, while median household income has increased by 29 percent after inflation. Among renter households, however, the income picture is more concerning; real income in 2014 dollars has actually declined by 13 percent over this period, from \$30,186 in 1980 to \$26,262 in 2014. Not surprisingly, rental households with annual income of less than \$20,000 experienced the highest cost burden of all income groups, with almost 100 percent, spending 30 percent or more of income on rent. Yet even among rental households with more typical income of \$20,000 to \$35,000 (the county’s median renter income is \$26,262), 82 percent experience cost burden. Rental cost burden is also elevated across multiple age groups. Almost 80 percent of very young households (age 15 to 24) are cost burdened. Many of these households are likely UI students and are unable to work full time or are out of the labor force all together, leaving their income low enough to necessitate spending over 30 percent of it on rent. But even among working age households, the rate of cost burden is over 40 percent, and for senior renter households age 65 and older, the rate of cost burden is an even higher 59 percent.

Chart 2. Ratio of UI dorm rooms to students, 1963-2017



Source: Hawkinson and Garza (ND).

Chart 3. Johnson County rent and income comparisons, 1980-2014



Source: American Community Survey data and census data.

Moreover, notwithstanding significant demand, there has been limited growth in the rental housing stock in Johnson County after the 2007 recession. Despite low vacancy rates, growth in multifamily housing, which accounts for 61 percent of Johnson County’s rental housing stock,¹¹ has only recently begun to recover from the Great Recession. From 2007 through 2010, permits were issued for the construction of fewer than 200 units of multifamily housing in each year, compared to over 500 units per year from 2000 through 2003, according to the US Census Building Permits Survey reports. More recent data indicate an increased rate of construction; permits issued from 2011 to 2014 allowed for the construction of an average of 358 multifamily units per year. In 2015, permits were issued for 675 multifamily units. Expanding the supply of housing may help bring vacancy rates up and prevent gains in rents from significantly outpacing income.

Though Johnson County’s homeownership rate is low relative to Iowa as a whole, homeownership is an important part of the county’s affordability challenges. Renters facing high housing cost burden may struggle to save for a down payment and to build up a strong credit score. In addition, Johnson County exhibits some signs

of limited credit access, especially for lower-cost homes. For example, while roughly 16 percent of owner-occupied homes in the county are worth less than \$100,000, according to American Community Survey estimates, only 12 percent of new purchase mortgages had an origination balance of under \$100,000 in 2014, based on an analysis of Home Mortgage Disclosure Act records. In other words, a disproportionately small number of mortgages were made for purchasing low-cost homes, which could be driven by weak buyer demand for these properties, as well as tightened credit standards.

Profiles of university anchor participants

Anchor institutions are organizations that cannot easily move to another location. They are ‘anchored’ to the community. Generally nonprofit organizations, they include museums, hospitals, libraries, churches, and universities. Due in part to the decline in manufacturing employment, anchor institutions are sometimes the largest employer in a community or region.

Some anchor institutions do a better job of community engagement and partnership than others. Increasingly, they are vested to their community and invested in their development and growth. Examples include purchasing services and goods from local small businesses, training and hiring local residents, providing technical assistance and low interest rate loans to nonprofit organizations, and investing in affordable housing loan funds or community development financial institutions (CDFIs).

The meeting organized by the Place-Based Inclusion Working Group with administrators at UI and led by CDPS staff focused on university-community partnerships in urban communities. Three representatives from universities participated in the meeting:

- Lucy Kerman, vice provost for University and Community Partnerships at Drexel University
- Craig Taylor, the director of the Community Planning & Economic Development (CPED) Department at the city of Minneapolis, and the former executive director of the Office for Business & Community Economic Development and the Business and Technology Center at the University of Minnesota

- David C. Perry, professor of urban planning and policy in the College of Urban Planning and Public Affairs at the University of Illinois at Chicago

Kerman and Taylor presented information on their experiences with anchor activities. Perry presented his research on university partnerships across the country.

Drexel University

Drexel University (DU) is located in West Philadelphia, a community with a population of 243,459 in 2014, which decreased by over 5 percent from 2000. The community is majority white with 15 percent Asian, 20 percent black, and 3 percent Latino residents. Poverty rates in the community are very high, ranging from 24 percent to 53 percent in the community's zip codes.¹²

DU is a private university founded in 1891. The school has 26,000 students, 2,168 faculty, over 200 degree programs, and 15 colleges and schools. As one of Philadelphia's top 10 private employers, DU has significant economic impacts on the community.¹³

Kerman began her talk by describing how all universities are 'agents of gentrification' due to the number of people they attract to their communities, including students, university staff, and faculty. These groups raise demand for housing and offer a ready market for retail stores and restaurants. Kerman further characterized universities as place-based institutions that have made a long-term investment in a community – moving large academic institutions is usually beyond practical consideration – and therefore the university's future hinges in part on the success of the surrounding community. Kerman also talked about the benefits of anchor partnerships for local communities. Universities have tremendous academic and professional expertise, student energy, and local economic (development) potential.

Kerman stated that DU administrators are well aware of the pressure that its student body has on the local real estate market. Because the university is predominantly a commuter institution, it has little experience in developing dormitories. The result has been a proliferation of apartments developed by speculators near the campus, as well as quasi-legal or illegal rooming house arrangements. As an alternative, in 2012, DU leased a portion of its property to American Campus Communities, a developer and manager of dormitories, to create a mixed use project. The result is an increase of 2,000 student beds.¹⁴ This

partnership allowed for increased housing for DU students without a financial commitment from the university. The upshot is that DU can now house all freshmen and sophomores, and requires them to live on campus.

DU is considering other ways to preserve and develop affordable housing. Kerman is working with two community development corporations to promote efforts to preserve homeownership and rental housing for lower-income households near the campus. Further, she works with a local intermediary, the Philadelphia office of the Local Initiatives Support Corporation (LISC Philadelphia), which advocated a designation of the community as a Federal Promise Zone. The Federal Promise Zone Program, which does not provide direct funding, will make West Philadelphia more competitive for an array of grant opportunities from federal agencies, including the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture, U.S. Department of Justice, and U.S. Department of Education. The goals of the Promise Zone are to create jobs, improve educational opportunities, and reduce crime. Further, the city has collected about \$575 million in financial commitments projects in the Zone.

Kerman's view is that universities can partner with neighborhood groups who address different areas of need, depending on the challenges of the community. Much of this work is accomplished at DU's Lindy Center for Civic Engagement and the Dornsife Center for Neighborhood Partnerships, both overseen by Kerman's office. The Lindy Center coordinates community service opportunities for students and provides mathematics, writing, and literacy enhancement programs for neighborhood youth. It also provides volunteers opportunities in community projects. The Dornsife Center for Neighborhood Partnerships provides resources and information for community residents, including adult education and workforce development, health and wellness services, and tutoring and homework support for youth. The Center is also a hub for nonprofit agencies that provide services to local individuals and families.

DU strives to hire local residents and support local businesses. Over 10 percent of DU staff are local residents. Many of them were hired through Philadelphia job training programs. DU has also established Economic Opportunity Plans that maximize contracts with local businesses. This includes a construction partnership as well as economic inclusion language in all requests for

proposals. Last, Kerman's office works to sustain local small businesses by building a bloc of local vendors that provide services and products to the university community.

Much of the leadership for community engagement originates with the president of DU, Dr. John A. Fry. In his convocation address in 2010, Fry stated that he wants the DU to become the most civically engaged university in the country. In addition, the provost hired by Fry is committed to developing community engagement and foster a culture of local engagement throughout the administrative and academic departments of the university.

Kerman identified several benefits to DU of community engagement. It helps to substantiate the school's nonprofit status and meets the expectations of the city government by, in short, providing community development services in lieu of paying taxes. Community engagement has also created a safer environment for students and staff. Last, these strategies are also supported by alumni, who want the school to be relevant and progressive.

University of Minnesota

The University of Minnesota (UM), the state's largest university, has its main campus in Minneapolis. This campus, located in the University Community neighborhood, has almost 50,000 students and nearly 20,000 employees at the Twin Cities campuses in Minneapolis and St. Paul. The University Community had a population of 39,400 in 2014, an increase of 18 percent from 2010. The community is 65 percent white, 15 percent black, 13 percent Asian, and 3 percent Latino. The University Community reflects the demographics of UM. Almost 80 percent of the housing is renter occupied, nearly 20 percent of the residents are foreign-born, and over half of the population are between ages 18 and 24. The University Community is very disadvantaged – approximately half of the households have incomes below the poverty line and only 60 percent of adults between 18 and 64 are employed. Further, the median income is about \$30,000, compared to a median income of nearly \$55,000 in the city of Minneapolis.¹⁵

Most of the anchor activities at UM occur through the Office for Business and Community Economic Development (BCED), which was formed in 1999 to support the economic growth of local communities. BCED, which is a part of the University's outreach mission, provides technical assistance to small businesses, computer classes for community residents, financial

and organizational capacity conferences for nonprofit organizations, and a supplier diversity program. In addition, BCED oversees student internships in community development organizations.

Craig Taylor was the executive director of BCED from 2002 to 2014. He described how UM created economic and community development strategies through collaborations with nonprofit, corporate, and public sector partners that focus on enhancing the quality of life of underserved communities. This activity was catalyzed at a community meeting where residents and owners of local firms criticized UM for turning its back on the community. In direct response, BCED formed the Business and Technology Center (BTC), which provides technical services for small businesses. BTC has evolved into an information clearinghouse, trainer and locus for networking, and a resource for innovation, technology, and research.

The Community Health Initiative (CHI), a project of BCED, provides supervised services by students at UM Schools of Medicine, Public Health, and Social Work programs to participants of community-based organizations in the interest of improving public health, social services, or medical technology. CHI also administers community internships and student consultations for public and community health agencies, and provides funding for public health challenges.

Another program begun by BCED is the Robert J. Jones Urban Research and Outreach-Engagement Center (UROC), which partners with urban communities in the region. Examples of its projects include the African American Leadership Forum, which was formed to reduce disparities in black communities; the Hmong Mothers and Daughters Club that develops leaders and serves as a showcase for cultural food and dance; and the Expanded Food and Nutrition Education Program, which delivers health and nutrition information to low-income families. UROC has made \$10 million in investments since its founding in 2006.

Case studies of university partnerships

Perry maintains that universities have significant impacts on local communities due to their economic influence and ability to attract tens of thousands of students, staff, and visitors. He asserts that no one organization or institution can revitalize a community. It is essential to reduce risks created by the high costs of land and the construction

and challenges of housing and commercial projects. Each university has a unique ability to influence neighborhoods depending on their size, the local environment, and leadership at the institution.

Perry's research on university partnerships has led to these classifications:

Universities as anchor collaborators: These universities engage in partnerships with other urban partners, including local government and private firms to develop mixed use projects. Two examples occurred in downtown Chicago, which faced severe disinvestment in the 1990s and early 2000s. One, DePaul University, purchased a disused building, moved its offices to the upper floors, and allowed for a book store and other retailers on the first floor. Second, the University Center of Chicago is a student housing complex that serves as a home to 6,000 students from three universities and has restaurants and other retail uses of its first floor. These developments are creating a 24/7 atmosphere in downtown Chicago.

University as a neighbor: These institutions work with other partners to rehabilitate the community as well as the campus. They include Morehouse College (MC) in Atlanta. Located in a deteriorated city community, MC participated with a neighborhood community development corporation (CDC) to develop new affordable housing. It also participated in a land swap that provided property for a mixed use university/community development. Another example is Ohio State University in Columbus, which redeveloped over 1,300 distressed housing units. Many of these units are subsidized by the U.S. Department of Housing and Urban Development (HUD), thus offering affordable housing for lower-income households.

Universities as community-based institutions: These schools provide housing, public safety, and education services for their local community. Due to lack of affordable housing for university staff, Case Western Reserve in Cleveland connects staff to community organizations and city home buying programs to enable them to purchase local homes. The University of California institutions provide loans with flexible underwriting and a salary differential housing allowance for staff to purchase homes near campuses. Perry also noted the higher level of engagement of universities that have community-based police forces, and education for early childhood classes to high school for local residents.

Perry concluded that committed leadership at the university is essential for these partnerships. He posits that in order for this work to be taken seriously by employees, a commitment of the university administrators is crucial. This means that the university must recognize that there is an enlightened self-interest in improving the community surrounding the institution, such as enhancing public safety and providing affordable decent housing for students and staff; reassuring parents their children are living in well managed housing, and developing community-based learning and research opportunities for university faculty and students.

Conclusion

The members of the Place-Based Inclusion Working Group hope to work with university administrators to develop a strategy to improve opportunities for affordable housing in Johnson County. They have several arguments in their favor. Providing additional dorms for undergraduate and graduate students can improve the 'brand' of IU. Dorms are viewed by students, and importantly, by their parents, as safer than off-campus housing. Dorms are monitored by resident assistants and many campuses have security phones and security staff. Living in dormitories is often more affordable, and eliminates worries such as collecting rent from roommates, and dealing with landlords. Dorms are also convenient – they provide food services, are close to classrooms, and include services such as cleaning and trash removal. Dorm life can lead to better academic performance, and provide a network of friends and acquaintances that could not otherwise occur. Relations with alumnae may also improve due to their interest in public perception of the university as a thought leader. In addition, community partnerships and relations with private developers are a way to reduce the risk and cost of dorm development, as exemplified by Drexel and other universities.

However, there are additional options to developing dormitories. UI may choose to also enter the affordable housing field by providing incentives to staff, donating properties, or developing relationships with agencies like HUD that can provide housing subsidies.

Last, there are many alternatives for UI in the economic development field. It is a local powerhouse, and its contracts with local businesses and unemployed can improve the lives of countless lower-income households.

Notes

1. The Seventh District comprises Iowa, roughly the northern two-thirds of Illinois and Indiana and southern two thirds of Wisconsin, and the lower peninsula of Michigan.
2. University of Iowa, 2016, About the University, retrieved October 14 from <https://uiowa.edu/homepage/about-university>.
3. Hawkinson, Eric, and Kevin Garza (ND), Housing and Equity in Iowa City: Investigating Trends of Housing Inequality in the Iowa City Metropolitan Area, Iowa City: The University of Iowa School of Urban and Regional Planning, available at https://www.urban.uiowa.edu/system/files/Iowa_City_Housing_Final%20Report.pdf.
4. US Census Bureau American Community Survey, 2015; Demographic and Housing Estimates; Washington, DC: American Community Survey.
5. University of Iowa, 2016, Employment, retrieved October 14 from <https://uiowa.edu/homepage/about-university/employment>.
6. University of Iowa Hospitals & Clinics (ND), 2016, Basic Facts, retrieved October 14 from <https://uihc.org/basic-facts>.
7. Hawkinson, Eric, and Kevin Garza (ND), Housing and Equity in Iowa City: Investigating Trends of Housing Inequality in the Iowa City Metropolitan Area, Iowa City: The University of Iowa School of Urban and Regional Planning, available at https://www.urban.uiowa.edu/system/files/Iowa_City_Housing_Final%20Report.pdf.
8. Students of Communications, 2016, Discussion Report: Student Off-Campus Housing Concerns, Iowa City: Iowa Program for Public Life.
9. US Census Bureau American Community Survey, 2015; Demographic and Housing Estimates; Washington, DC: American Community Survey.
10. Ibid.
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12. Ibid.
13. College Factual (ND), 2016, Drexel University, retrieved October 13 from <http://www.collegefactual.com/colleges/drexel-university/academic-life/faculty-composition/#>; Drexel University (ND), 2016, Drexel University at a Glance, retrieved October 13 from <http://drexel.edu/about/glance>.
14. Kerman, Lucy, 2016, interview with vice provost, Drexel University, by Marva Williams, August 5.
15. Minnesota Compass, 2016, University Community, retrieved October 17 from <http://www.mncompass.org/profiles/communities/minneapolis/university>.

Biographies

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