

Bloomington Housing Affordability Report
For the Community Advisory on Public Safety Commission
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Introduction

Our research team was tasked by the Community Advisory on Public Safety (CAPS) Commission to research the housing affordability situation in Bloomington, Indiana, and develop a plan of action to address the issue. Our team is composed of three Indiana University undergraduate students who are studying at the Kelley School of Business. We spent three months researching the issue and interviewed experts on this issue in the community. All of this led to the creation of this report, which analyzes the current state of the Bloomington housing market, and provides recommendations on how to improve the community.

The Current State of Affordable Housing

Affordable housing has been a topic of concern in Bloomington, IN for years. Like many college towns across the country it is difficult for communities to find the correct balance between the student population and the permanent residents when it comes to housing. Based on a 2018 report by Annex Group LLC that looked into the trends in Bloomington and other similar towns, “Over the past decade or so virtually all new multifamily product added to the market has been either student or luxury housing” (Hiller, 2018). Developers have primarily focused on building projects with the largest return on investment which has caused affordable housing to fall behind. According to the Annex Group LCC report “The gap between low-income households and units available is increasing by almost 332 units each year” (Hiller, 2018). The lack of new units available for low income households and the growing rent has caused the community to be stuck in a cycle with only band aid solutions being applied.

The role Indiana University plays in Affordable Housing

The town of Bloomington, IN is synonymous with Indiana University, one of the state's flagship universities. The university has a large population of 47,005 students (Carney, 2022). This is much larger than The average college size in the U.S. of 6,354 students, according to a 2020 survey by the U.S. News & World Report (CollegeBoard). Bloomington has a population of 83,303 in 2023. As a result, the student population takes up over half the population of the town. This creates a very unique situation for the town because students play such a prominent role in the economics of the community. The problem that Bloomington faces is that Indiana University's student population is continuing to grow each year. The incoming class in 2022 was 9,736 students which was a 3% increase from 2021 (Carney, 2022). The increase year over year of students causes a housing shortage but because there is more money in student and luxury development these areas gain the focus of developers before affordable housing.

Low Income Housing in Bloomington, IN

One of the issues in Bloomington is that many families simply don't make enough income from their jobs. This data may be skewed because of the student population, but there are definitely permanent residents affected by this issue. "Extremely-Low Income" is defined as residents with 0 to 30% of Area Median Income (AMI). "Very-Low Income" is defined as residents with 31% to 50% of AMI. "Low Income" is defined as residents with 0 to 80% of AMI. "Moderate Income" is defined as residents with 81% to 120% of AMI.

2021 HUD Income Limits and City of Bloomington Workforce Rental Housing

(WFH) Income Limits

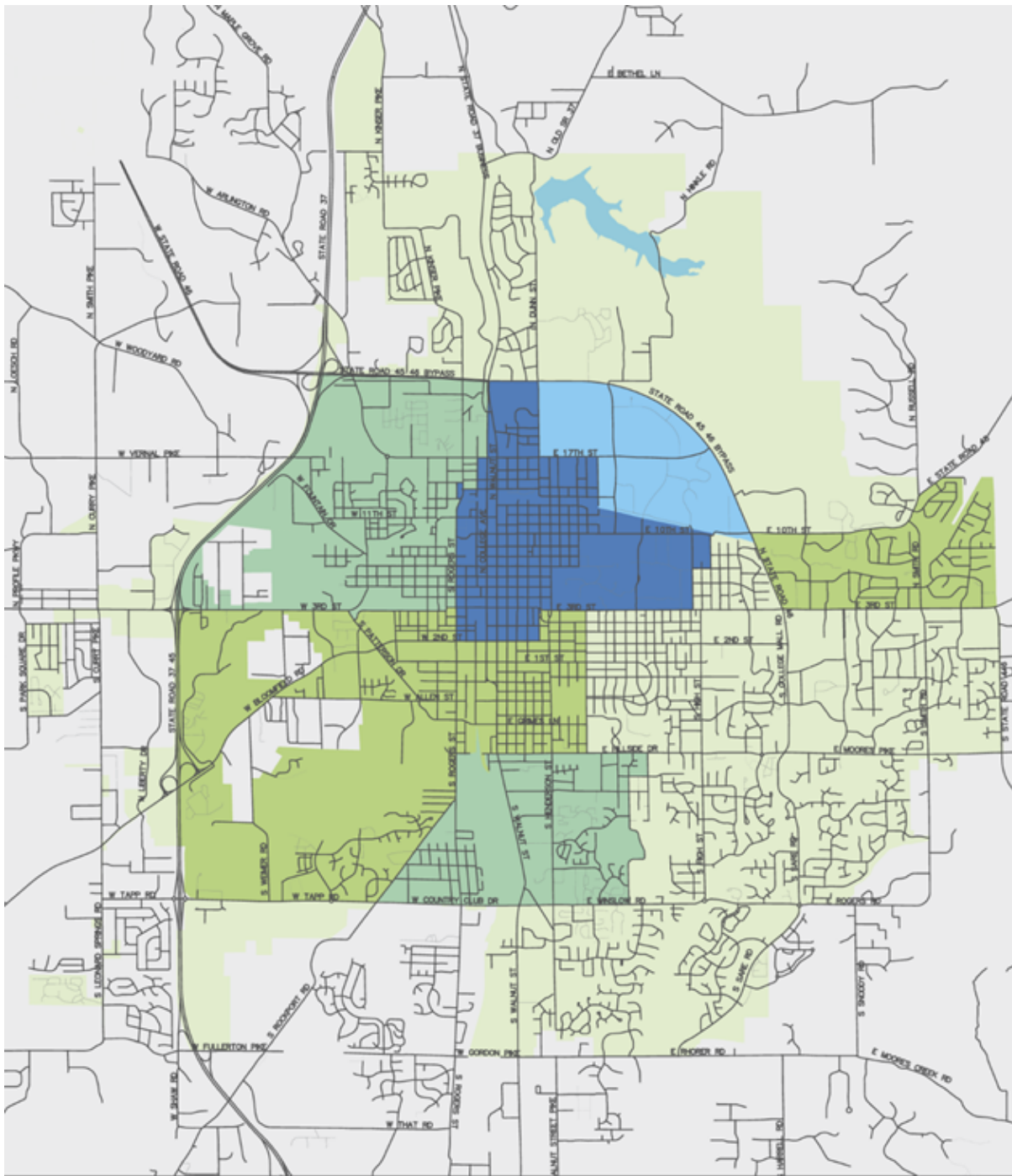
HUD 2021 Number for 50% AMI ("Very Low" Income) for household of one:	\$26,750
City of Bloomington Adjusted AMI on which to base rent (\$26,750 x 2)	\$53,500
HUD 2021 AMI for Bloomington Metro Area (household of 4):	\$76,300

Household Size	1	2	3	4	5	6	7	8
30% AMI Income Limit ("extremely low")	\$16,050	\$18,350	\$20,650	\$22,900	\$24,750	\$26,600	\$28,400	\$30,250
50% AMI Income Limit ("very low")	\$26,750	\$30,550	\$34,350	\$38,150	\$41,250	\$44,300	\$47,350	\$50,400
60% AMI Income Limit	\$32,100	\$36,660	\$41,220	\$45,780	\$49,500	\$53,160	\$56,820	\$60,480
80% AMI Income Limit ("low income") (WFH)	\$42,750	\$48,850	\$54,950	\$61,050	\$65,950	\$70,850	\$75,750	\$80,600
100% AMI Income Limit (WFH)	\$53,500	\$61,100	\$68,700	\$76,300	\$82,500	\$88,600	\$94,700	\$100,800
120% AMI Income Limit (WFH)	\$64,200	\$73,320	\$82,440	\$91,560	\$99,000	\$106,320	\$113,640	\$120,960

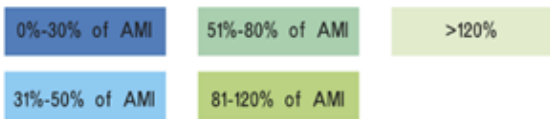
August 2021

City of Bloomington HAND Department

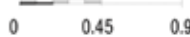
As expected the extremely low income area is in an area where most students live. The real areas to look at are in the southeastern side of Bloomington where incomes are still relatively low in some spots. These areas are more likely to be occupied by permanent residents. There are many sections of Bloomington that are averaging only 51%-80% of AMI. This is substantially lower than the median income and if rent and house prices are based on the median make it almost impossible for these households to afford it.



Low-Income Categories



Scale: 1 inch = 0.9 miles



City of Bloomington
ITS Department



Geographic
Information System

Apr 5, 2019

For use as map information only, information is NOT warranted

TaffsysLP

Current Solutions

It is important to understand what is currently being done to address the problem in the community. One of the major groups addressing housing issues in Bloomington is HAND (Housing and Neighborhood Development). HAND is a department in Bloomington with the mission to enhance the quality of life of Bloomington residents. HAND's approach is to develop programs, services, and partnerships with the overall goal of promoting affordable housing and revitalizing neighborhoods (HAND, 2023). After speaking with HAND director John Zody we were able to understand how the city has already tried to address this issue. He explained that there are a few key methods to address an affordable housing crisis at large. One is to take a reformation approach by easing existing access to affordable housing (i.e. creating innovative financing methods for existing properties) while the other is to actually deliver new properties to a submarket in need of affordable housing. HAND has been taking both approaches by mandating that large complexes make around 10% of their units affordable, and by leading the development of new single family homes (Zody, John). While HAND has made a large impact on the community, it does not have enough resources to fully address the issue.

Delivery of New Affordable Housing Units in Bloomington

In August 2022, dozens of affordable homes were planned to be constructed in northwest Bloomington via a partnership between the city of Bloomington (HAND) and a housing developer. The plan outlined the construction within 45 lots southeast of the intersection of Interstate 69 and the Indiana 45/46 Bypass (Ladwig, 2022). The efficacy of such programs come within their structure. For plans like these, there are often models like land trusts in which a non-profit land trust owns the land while the homeowner owns the home. Effectively, this mitigates cost and instills affordability as well. It is important to note that providing financial



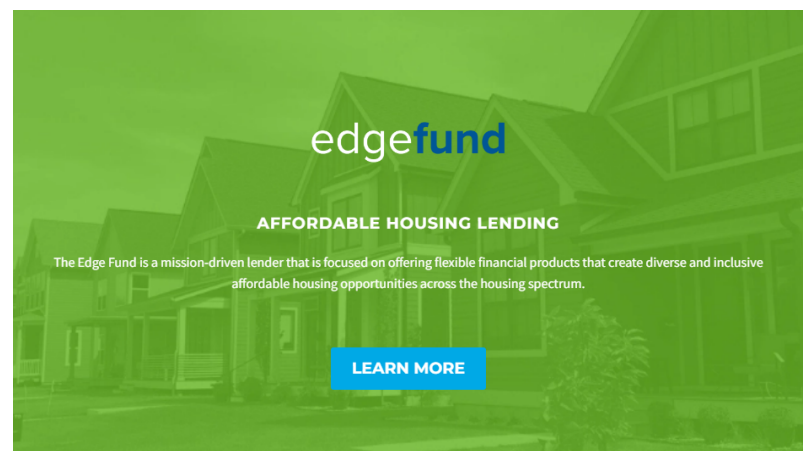
incentives for companies to develop more units can be an effective catalyst in delivering more affordable housing units. Since 2016, the city of Bloomington has built 1,400 affordable housing units, however, rising construction costs attributed to the pandemic have stymied further growth (Meador, 2023). Additionally, affordable housing development is often hampered by a lack of federal money and state laws (Cheang, 2023). These are only some of the challenges that face affordable housing access in Indiana and merely developing new units is not enough to address the situation.

Exemplary Innovative Financial Models: Shared Appreciation Homeownership Program

HAND also has another program in parallel with this one called the Shared Appreciation Homeownership Program (HAND, 2023). This model aligns with the above mentioned strategy of an innovative financing strategy to secure affordable housing. This program is funded through Mayor John Hamilton’s Recover Forward initiative and has successfully aided a participant in the purchase of her own home. Through this financing model, the first-time homebuyer was able to purchase the home with a zero-interest loan from the city of Bloomington. When the home is sold in the future, the proceeds will contribute to the principal repayment. The Shared Appreciation Homeownership Program aims to provide at least 20% of the sale price up to \$50,000 in exchange for permanent affordability of the property through the shared appreciation.

Exemplary Innovative Financial Models: Intend Indiana’s Edge Fund

Along the same lines of an innovative financing approach to affordable housing is the Edge Fund from Intend Indiana. Intend Indiana “advances comprehensive community development through innovative financing and development solutions that



create and preserve affordable housing” (Intend Indiana, 2023). The Edge Fund is an affordable housing lending program that allows borrowers to secure a “below-market interest rate for market-rate housing fixed for the life of the loan” (Intend Indiana, 2023). The program benefits low and moderate income individuals and to qualify, the prospective borrower needs to fulfill a few requirements. Requirements include non-bankruptcy or foreclosure in the past 3 years, a minimum credit score of 600, taking a qualified Home Buyer Education course, and agreeing to a 10-year affordability period covenant. In fulfilling these requirements, borrowers gain access to affordable housing in neighborhoods of choice, need not pay a down payment (lowering out of pocket expenses), and secure a lower overall interest rate. Through offering flexible financial products, the Edge Fund creates diverse and inclusive affordable housing opportunities.

Analysis of a Similar Submarket: Blacksburg, Virginia

Blacksburg is a college town that shares many similarities to Bloomington. Virginia Tech is located in Blacksburg, and just like Bloomington, the town's economy is dependent on the university. They have relatively similar populations with approximately 80,000 residents in Bloomington and 45,000 in Blacksburg, and both have a median household income of approximately \$40,000 (“U.S. Census Bureau”). This makes Blacksburg an ideal town to compare to Bloomington when looking for ways to improve housing affordability.

While Blacksburg and Bloomington share many similarities, Blacksburg has been significantly more successful at keeping their community affordable. The cost of living in Bloomington is 10% higher than the state average, while the cost of living in Blacksburg is 4% lower than the state average (“RentCafe”). A large part of Blacksburg's success is the many programs the town has started in recent years. Recently the town has started to build high density housing, which is the most effective way to make affordable housing for the greatest number of people. To fund this

they created an Affordable Housing Fund that receives money from donations, government grants, and taxes (“Blacksburg Affordable Housing Fund”). The fund works with local developers to create large apartments with many units. Since complexes are designed to provide long-term affordability for income residents, the town has also restricted the maximum sales price of these units.

The most notable project is a 56-unit apartment complex that was approved in March 2022 (Jean-Baptiste, 2022). The complex was designed for lower income residents and is close to retail stores and public transportation. While the project is receiving pushback from residents who believe that upzoning in the area will negatively affect their community, the benefits of providing housing to Blacksburg’s most vulnerable is more important. Overall, Blacksburg tries many of the same methods that HAND implements in Bloomington to promote affordable housing, but Blacksburg has taken more initiative on building large scale projects designed for affordability.

Overall Recommendation

Through our research into the issue, we have found that HAND has helped Bloomington make numerous strides towards more affordable housing in the city, but that many of these solutions are not large-scale enough to provide housing for everyone in need. **We recommend that the City Council and HAND work with developers to develop a large apartment complex solely focused on affordability.** While HAND does create some affordable units, they have not been able to keep up with the demand in Bloomington. Usually HAND requires large developers to make approximately 10% of their units affordable, but an entire complex that is affordable would have a major impact on this issue. Blacksburg has shown that large complexes can still be profitable and provide housing to lower income families if done correctly. The money for this

project would come from Bloomington's Housing Development Fund, but due to limited resources, HAND should look into getting funds from the State.

HAND will not have a hard time finding an appropriate developer in the area for the project, since numerous large complexes have been built in recent years. The project would have to be subsidized by the city. The biggest issue with a project of this scale is finding an adequate location. There are large plots of land on the outskirts of the city, but HAND would have to do more research into this part.

Even if the council determines that a project of this scale is not feasible, we also recommend that they mandate that large apartment complexes make another 5% of their units affordable. Currently large complexes must rent between 10-15% of their units in an affordable price range, but by increasing this number by 5% it will significantly increase the number of affordable units in the city without the complications of a large-scale construction project.

Overall, developing an apartment complex with 50-100 units with affordable prices would have a noticeable impact on housing affordability issues in Bloomington. This development will take significant time and planning, so it would be 3-5 years before it could help the community. That is why we advise the City Council to begin looking into a project of this nature as soon as possible.

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