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Bruce Berger admits that "it's a little uncomfortable to talk about" the City of Davenport's new 100 Homes program.

"This isn't a program for low and moderate income," said Berger, Davenport's manager of housing and neighborhood development. "That's an odd thing for a city housing rehab program to do. Not that it's bad."

Nearly all government housing-assistance programs are tied to income, and most use the standard set by the federal Department of Housing & Urban Development as a ceiling: 80

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percent of median income - or \$48,100 for a family of four in this area.

But 100 Homes - which offers five-year forgivable loans of up to \$15,000 for exterior renovations and down payment - has an income *floor* of 80 percent of median income, meaning that it's *only* available to people who make more than the federal definition of moderate income.

That might sound like a recipe for abuse, and there's no income ceiling. Someone who makes \$100,000 or more can qualify for the program, even if they don't *need* the help.

And if that happens, there are two reasonable responses. The city might put an income cap on the program in the future. ("If it becomes an issue, year-to-year we can change this program," Berger said.)

Alternatively, it could declare it a resounding success.

Income Diversity

There are three main features of the 100 Homes program: It targets a specific neighborhood with a high percentage of low- or moderate-income residents; it primarily funds exterior improvements; and it's designed for people whose incomes are too high for most housing-assistance programs.

There are two goals.

First, "it's focusing on exterior improvements ... with the idea of neighborhood

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revitalization," Berger said. The outward appearance of the housing stock would improve, and that could have the effect of boosting property values.

Second, "the idea is to economically diversify that low-income neighborhood" by bringing in people with higher incomes, Berger said.

"Neighborhoods really benefit from having a variety of income levels in them," said Holly Olson, executive director of Des Moines' Neighborhood Finance Corporation - on whose programs Davenport's initiative is based. Since 1991, Neighborhood Finance Corporation (a not-for-profit mortgage bank) has provided loans and financial assistance to nearly 3,000 homes in more than two-dozen neighborhoods, according to its Web site.

Olson said the company was formed because of the difficulty of getting mortgages in distressed neighborhoods. She added that most housing-assistance programs focus on the doughnut hole of lower-income people and ignore the doughnut. The result is a concentration of low- and moderate-income families in older neighborhoods.

Scott Ryder, a realtor with Mel Foster Company who has worked on the 100 Homes program, said that older neighborhoods present challenges to home-sellers. "There's a lot of work to be done" on the homes, he said. "Families don't want to do that work. ... A lot of people are wanting to buy houses with the work already done."

And when families *are* willing to do the work, they have difficulty getting money for improvements up-front, Ryder said. Banks will refinance a home once renovation work is complete, but they aren't willing to include the costs in the initial mortgage. For that reason, he said, the money offered by 100 Homes is "just enough to really make a difference."

Davenport has a handful of housing-rehabilitation and home-ownership programs, but all until now were designed for low- and moderate-income people.

Those programs are valuable and will continue, but they aren't designed for neighborhood

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revitalization. They would, in reality, be detrimental if aimed at a single neighborhood. If a city targets a specific area and only uses income-restricted assistance programs, the result is naturally going to be a concentration of low and moderate incomes rather than a mixed-income neighborhood.

That's why the 100 Homes approach makes sense. If it's successful, in its first year it will bring income diversity to its target area - up to 20 people buying homes in the neighborhood and making exterior improvements, with the means to maintain and further spruce up their properties. (The program's name is a nod to its goal of 100 projects in a three- or four-year period.)

"Not only is this person going to take advantage of the \$15,000 forgivable loan, but if they are in a middle- to upper-income bracket, then they'll possibly have resources to do more than that \$15,000 upgrade," said Alderman Ian Frink, who heard about the Des Moines programs at a Neighborhoods, USA conference in 2006 and has spearheaded the effort in Davenport. "In a 100-year-old house, you can spend 15 grand pretty quickly."

The first neighborhood targeted by 100 Homes is just east of the Brady Street hill in the East Bluff area - a five-block-by-eight-block area bound by Locust Street on the north, Carey Avenue on the east, 14th Street on the south, and Perry Street on the west.

It's a classic central-city older neighborhood, with many spacious century-old houses in good condition but in obvious need of facelifts.

According to the City of Davenport, there are 254 single-family homes in the target area, and two-thirds of residents are of low or moderate income. Berger said that at one point in recent months, roughly a dozen homes were for sale in the area.

According to Ron Anderson, chair of the East Bluff Neighborhood Association, there are between 65 and 75 "available" homes in the target area - vacant, for sale, or with the residents considering leaving their homes. If that number is accurate, that's more than one in four.

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"It is a lot," Anderson said. "That's one of the problems that concerned us. ... I think that's one of the reasons we were chosen." (Berger said that one factor in the selection of East Bluff was the volume of homes for sale.)

The 100 Homes program - which was launched late last year - has \$300,000 of city capital-improvement funding in its first year. That's enough money to do 20 projects.

Nine participating lending institutions (see sidebar) contributed an additional \$31,500. Money from lenders is paying for administration and for marketing items such as placards that now accompany some for-sale signs in the East Bluff neighborhood.

"Our goal is to have \$500,000 to work with" each year, Frink said.

Berger said the city budget request for the program in the upcoming fiscal year is \$350,000, and other money might come from the county and the Riverboat Development Authority in the future.

Spread the Word

Even if funding is steady and adequate, the program would probably fail without the buy-in of the people in the day-to-day business of selling and financing homes; the program will go to waste if people aren't aware of it.

"It is absolutely essential to get the word out about the program," Neighborhood Finance Corporation's Olson said.

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The city has done well on that account so far. The committee that designed 100 Homes in Davenport included three city representatives - Berger, Frink, and a police officer - and was otherwise composed of lending-institution representatives, a realtor, an East Bluff representative, and Paul Fessler of United Neighbors.

For the lending institutions, helping the program made sense, said one participant's representative, who asked not to be named. With its potential impact on neighborhood property values, "there was no reason not to do it," said the representative.

He added that program was attractive to lenders because it is not geared toward low- or moderate-income buyers. The problem with lower-income home-buyer or -rehabilitation assistance, he said, is that participants often don't have the money to maintain their properties once they've purchased them.

He said that he tries to inform all prospective home-buyers - whether they're looking in central Davenport or not - about the 100 Homes program. "The more exposure there is, the more successful it will be," he said.

Still, the marketing challenge is evident. The city identified approximately 40 of 80 known neighborhood groups that qualified for 100 Homes because more than half of their residents were low- or moderate-income. It then invited them to apply for the program's first year, with one neighborhood to be selected.

Only the East Bluff and Gold Coast neighborhoods applied.

"I don't think we expected to have 40" applicants, Berger said. "We anticipated maybe four or five might have been interested in it."

It's surprising that so few neighborhood groups applied, given that there's no downside. In addition to the influx of rehab money, there's also the promise of increased city attention.

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“We've got to make sure that we control crime in these areas, and that we invest in our older commercial corridors,” Frink said, also noting that the city has hired a neighborhood specialist.

Berger said he's cautiously optimistic that the program will fund the full 20 projects in its first year. “Our chances are at least fair that we're going to come close to our target,” he said.

But “I don't think it's the end of the world if we don't, because what we'll have is some more money to roll into perhaps another neighborhood.”

The idea is that a new neighborhood will be selected for each year of the program, but that homes from previous years' neighborhoods will still be eligible.

“The thinking informally now is we're probably, a year from now, still going to have some work to do in the East Bluff,” Berger said.

“A Tough Thing to Evaluate”

Even though there's no income ceiling for 100 Homes, there are protections against some forms of abuse. To have the loan fully forgiven, the city requires participants to use the home as their primary residence for five years, Berger said. That prevents “flipping,” in which people could take the forgivable loan, improve the property, and quickly sell it for a profit.

But regardless of the safeguards, 100 Homes has a higher burden of proof for its success than other housing-assistance programs. The number of assisted home purchases by low-income people is a measure in itself for those programs, but 100 Homes must show a *neig*

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impact to be successful.

The program is up for its second-year funding over the next few months, and there's no way to measure the program at this point. "What do we have to show? Not a lot," Berger said.

And even after its first-year projects are completed, it might be difficult to assess its effect. "What is the impact of this program anticipated to be?" he asked. "Twenty new home-buyers in a neighborhood with [hundreds of] single-family houses is a drop in the bucket."

Ryder said one goal in designing the program was to constrict the area enough so that changes would be apparent. "I was concerned that if the area was too large ... you wouldn't see as big an impact," he said. As 100 Homes is designed, however, "you'll be able to drive down the street, and you'll be able to see the difference. I am confident you will see a difference after the first year."

Des Moines' Olson concurred that visible improvement is critical. "If people can see something is going on there, you're going to see market movement," she said.

But Frink said that it's difficult to assess impact in the short term. "This is a tough thing to evaluate right out of the box," he said. "It needs a two- or three-year window before we can truly start seeing some of the effects of this. Because even if you had 15 people take advantage of the loans today ... by the time the improvements were done ... we're going to be mid-year at best. And then to bring back the neighborhood would take more time on top of that. It's not going to happen overnight."

Berger said one way to evaluate the program would be to compare the percentage of low- and moderate-income residents today to those numbers in one, three, or 10 years to see if diversification has happened.

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Olson said it's often better to look at measures directly related to housing. Program activity is one simple measure - how many people have participated in 100 Homes - and assessed property valuation could be another.

Fundamentally, the long-term impact will be a visibly revitalized neighborhood, and probably improvements along Locust Street as well. Frink said that in Des Moines, "a lot of these [targeted] neighborhoods not only reinvented themselves on the residential side, but it spilled over into some of the commercial corridors."

100 Home Lenders

The following lending institutions are participating in the 100 Homes programs. To receive the \$15,000 forgivable loan from 100 Homes, a borrower would need to take out a mortgage through one of these banks.

American Bank & Trust: (309) 732-5010

Ascentra Credit Union: (563) 355-0152

Bank of the West: (563) 388-6165

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Great River Bank and Trust: (563) 441-9600

MidwestOne Bank: (563) 322-9900

Quad City Bank & Trust: (563) 468-6275

THE National Bank: (563) 823-2323

Wells Fargo Home Mortgage: (563) 328-8448

Valley Bank: (563) 359-5626