

City of Sikeston Housing Overview For the Sikeston Vision Committee

This housing overview is a compilation of opinions by members of the committee and citizens of Sikeston who have knowledge of their respective topics. The sections of the report are as follows:

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Housing Editorial

As a community, we have countless points of pride. And well we should. But every community, regardless of size, also faces challenges. We are no exception.

There are actually two Sikestons. First there is the community we see on a daily basis. We go about our daily routines and try our best to be good citizens. The community we see is growing. Perhaps at a slower pace than we would like, but growing nonetheless.

Then there is a second Sikeston. And like it or not, most of you in this room today rarely see this view of our community. It is not growing and in fact, it is slowly falling into decay. We have neighborhoods that have long been neglected. I could spend the entire day outlining what I believe is the source of this neglect. But how we got here matter less than what we're going to do about it.

The problem with these two separate views of our town is this: When someone comes here either to visit or to look toward moving here or even to scout our town for a potential business, we cannot control which Sikeston they see. Now understand, this is true of any community.

So our challenge is to face reality, be honest and tackle the issues under our control.

I could argue that next to more jobs, the most pressing need in Sikeston is a long overdue plan to improve our housing. Don't misunderstand, we have made some major strides in addressing this issue. Improved code enforcement, the formation of the LCRA, the addition of Public Safety officers to monitor Housing Authority properties have been steps in the right direction. But the most important advancement we have made is the realization that we have a housing issue that must be addressed.

When the Vision Committee was first formed, it's no coincidence that one of the four issues of concentration was housing.

This much I can report. As a community, Sikeston has a disproportionate percentage of rental properties. While the state average is 30 per cent, 45 per cent of our total housing inventory is in rental property. That concentration of rental properties poses its own set of challenges.

Others will address some plans to change that dynamic in Sikeston and others will address our subsidized population.

As everyone knows, Sikeston was victim - and there is no other appropriate term - of a mortgage fraud that has left us with an unwanted inventory of distressed properties. As impatient as I am, I want these properties removed today. But the legal process is daunting, not just here but in other locations where these frauds have struck. And though we may want to magically either rehab these properties or remove them, neither will happen overnight. These are the cards we have been dealt. Our challenge is to play these cards as fast and as wisely as possible.

I once thought we could restore pride in every neighborhood in Sikeston. I now doubt that will ever happen. Improvement can and will be made. But we also must recognize human nature and some people simply will never take pride in their property. Neither education nor threats nor even money will change human nature.

We can wish until we're blue in the face but some things will never change. But this much we should expect when it comes to housing and neighborhoods. We should never be afraid to travel any street in Sikeston. We should demand that the same standards of property code that applies to one area, apply to all. Some areas will need help and we should provide that help when possible. But in return, we should demand all residents follow the housing codes of this community and we should punish those who fail to follow the rules.

Community leaders such as those gathered here today always like to view their home community has somehow different than others. And indeed each community always has something to offer that is unique. But in so many ways, we share similarities with other communities. Others face the same challenges, opportunities and obstacles. The key then to growing a community lies in how we face these challenges. I believe the discussion ongoing here on ways to improve our community is the first important step in facing those challenges.

Those who have the ability and influence in our community can no longer ignore the problems facing Sikeston. Those who live in blighted neighborhoods can no longer make excuses. Landlords, tenants and homeowners all share equally in the work ahead. To think otherwise is simply to fool ourselves.

Here's the bottom line. Sikeston has a disproportionately high percentage of rental properties, an equally disproportionate percentage of subsidized housing and a substantial gap between the haves and the have nots. Those are the facts. Given that status, how best do we improve our housing to encourage all residents to do their part in addressing the issues facing us today.

Quite simply, that is our challenge.

Introduction

Several years ago, city officials recognized there was a problem with not only housing in the city of Sikeston but also with an ongoing criminal element that had taken up residence in our city.

In 2001, the city council brought to the voters an initiative for a one-cent sales tax to be used for fulfilling three specific goals:

1. Establishment of funding for building the Sikeston Area Higher Education Center (SAHEC)
2. Funding for improving and staffing the Sikeston Department of Public Safety
3. Establishing and funding a Land Clearance for Redevelopment Authority (LCRA) aimed at the acquisition and removal of dilapidated housing in the city

As an additional step to address some of the blight in neighborhoods, the council passed in March, 2004, property maintenance and rental ordinances that allowed “Zero Tolerance” for blighted housing and poor property maintenance. The ordinances would give code enforcement officers more authority to monitor both landlords and tenants.

The LCRA commission was formed in 2003 and received its first funding in January, 2005. Its original projections called for the acquisition and removal of approximately 150 structures in its designated target area, but the commission’s scope of work has more than doubled since its inception.

Sikeston’s housing stock fell victim to a real estate Ponzi scheme that started in 2004 and recently ended with the masterminds of the scheme being sentenced to terms in federal prison. The fraud left out-of-town real estate investors holding mortgages on properties at eight to ten times their fair market value. Nearly all of these absentee owners have abandoned the properties, numbering some 300, allowing them to fall into further disrepair and become prospects for LCRA acquisition and demolition. Some of these properties have been sold to individuals for renovation and are now occupied while the majority has either been acquired by the LCRA or imminent domain litigation is in progress.

To date, the LCRA has acquired more than 200 properties while targeting an additional 175 for acquisition. In addition, about 55 property owners have cleaned up their properties when confronted with losing them through imminent domain to the LCRA.

In addition, the LCRA has supervised the demolition of the former First Baptist Church Building on South Kingshighway and the former Federal Compress Building on West North Street with the assistance of Community Development Block Grants. In total, the commission has spent approximately \$1.6 million dollars of sales tax funds, \$275,000 in donated funds from the Sikeston Board of Municipal Utilities and the Sikeston Housing Authority and another \$300,000 in grant funds to this point.

Rental Housing Status

Private Rentals- Current private rental housing is primarily for either low-end or high-end rentals with a need for moderately priced two, three, and four bedroom units, according to Sikeston realtor Sue Rogers. The biggest need is for units in the \$500 to \$650 per month range and also

handicapped accessible units or units on one level for older tenants. Sue also says that energy-efficient units are few and far between.

She also states that many landlords have gotten out of the rental business due to problems with tenants either not paying their rents or trashing the units while they occupy them. Some three bedroom Section Eight housing would also fill a need.

Public Housing- The Sikeston Housing Authority (SHA) operates 245 public housing units for families in Sikeston, according to Director Bobby Henry. The average annual income of the families living in public housing is \$8,935. The residents pay 30% of their monthly-adjusted income for rent and are provided a utility allowance for utilities paid by the residents. The Federal Government provides the SHA an operating subsidy to make up the difference of the cost of operations.

There are currently 476 household members living in Public Housing. Children under the age of 18 make up 41% of the group; adults 18 to 61 make up 45%, and adults older than 61 make up 14% of the residents. Sixty-seven percent of the current residents have lived in public housing for less than five years, 27% have lived there between 5 and 20 years, and 6% have lived there more than 20 years.

The Section Eight Housing Choice Voucher Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

In November of this year there were 268 private rental units leased through the Section 8 housing choice voucher program. The average annual income of families receiving assistance was \$9,956. Of the 787 household members in the program, 49% were under the age of 18, 45% were between the ages of 18 and 61, and 6% were older than 61 years of age. About two-thirds (68%) have been provided housing assistance for less than five years, 28% for between 5 and 20 years, and 3% have lived in assisted housing for more than 20 years.

Current Housing Inventory

Faye Walberg, owner of Century 21, provided these statistics to us from the SEMo List for 2009 to date:

<u>Price Range of Homes</u>	<u># of Listings</u>	<u># of Solds</u>
\$50,000 to \$100,000	98	47
\$100,000 to \$125,000	40	33
\$125,000 to \$150,000	37	25
\$150,000 to \$200,000	27	19

Her statistics do not include listings and sales of homes more than \$200,000 because they do not apply to low, moderate, or middle-income buyers. Also, most sales of homes of less than \$50,000 have been due to foreclosures and do not represent a fair picture of homes for future home ownership.

According to Faye, reasons for fewer sales include condition of the existing properties, flood plain issues with lending institutions, poor credit ratings with lower-income buyers, along with

current economic conditions. “Instilling pride of ownership in all areas of our community might be an impossibility, but it doesn’t hurt to try,” she added.

While there remains an adequate supply of residential building lots in the city, the majority of them are in subdivisions whose covenances require homes to be built of larger square footage and therefore, more costly housing in the range of \$150,000 and up. Lower cost vacant lots are more readily found in the older neighborhoods of the city and primarily west of Kingshighway.

This lesser expensive alternative for land is a direct result of the efforts of the Sikeston LCRA, according to Chairman Dan Marshall. As the commission has acquired property, it has been replatting multiple lots into larger single family lots, which is more conducive to various types of construction and allows space for off-street parking via carports and garages.

The largest tract of land acquired to date lies along both sides of the 200 block of Felker Street, where the LCRA is currently requesting replatting and rezoning of twenty-six 40-foot frontage lots into 80- and 120-foot lots. Other larger tracts still in the works lie in the 200 block of West Kathleen Street, the 800 block of William Street, the 300 block of Kendall Street, and the 800 block of Agnes Street.

Although the history of these neighborhoods over the last twenty years or so has seen property values decline, recent conversations with realtors and appraisers tell us that market values have stabilized and are even beginning to rise again. Both potential homeowners and rental property investors are again looking at these neighborhoods as viable and stable housing options and flight from these areas has decreased.

This trend, we believe, is due to the city council and citizens’ support for the actions of the LCRA in ridding these neighborhoods of blighted, insanitary structures. Although the work is not yet completed, it is encouraging that property values have stabilized.

As it continues to put together more attractive building lots, the LCRA will begin to offer these properties for sale to individuals and builders who will commit to redevelopment. When redevelopment begins, we should see an increased tax base and appreciating property values in these neighborhoods.

Home Ownership- Qualifying Buyers for Home Loans

Down payment and closing costs represent the most significant barrier to homeownership for low-income and middle-income residents. Lack of affordable units will also significantly hamper any attempt to create more low income homeowners as well, according to Trista Douglas.

Other impediments to low income homeownership include lack of education, no banking relationship, little or no credit history, and lack of discipline in handling a family’s funds. Many of the families in this income group are made up of single parents, who lack the income of the two-earner families that is prevalent.

Homeownership also has never been fully accepted as an alternative to renting for many people. Renting leaves responsibility of repairs and maintenance to the landlord and also allows the tenant freedom to move quicker.

With many low and middle-income families, the main barrier to homeownership has been the required down payment and closing costs. With traditional financing mechanisms such as bank, secondary market and Federal Housing Administration (FHA) loans, down payment requirements and closing costs could amount to ten to twenty percent of the value of the home. If the home did not sell for considerably less than its appraised value, the cash requirements for buyers upon closing could run into thousands of dollars. Most families would not have savings or help from family members to afford these costs.

There is however, one extremely affordable alternative to conventional loans today that is being used in our area, according to Tasha Treece, loan officer at First State Bank and Trust Co. She explained that the United States Department of Agriculture Guaranteed Rural Housing Loan program is very affordable because little or no money may be required at the closing of a home.

Rural Development loans have many of the same debt-to-income ratio requirements as conventional loans, but eligible buyers may qualify to borrow up to 102% of the value of a home. This could cover up to 100% of the value of the home plus the two percent fees at closing. And with today's interest rates of 4.5 to 5.5 percent, a house payment on a \$100,000 loan today, including escrow for insurance and real estate taxes, might fall in the range of \$700-\$750 per month over 30 years.

Habitat for Humanity- Filling a Need

Habitat is currently working on its third project home since establishing its Sikeston Chapter in 2005. The structure is located at 510 John R Boulevard. According to board members David Strom and David Sloane, they are on a schedule to complete a project about every 18 months, but they would like to be able to increase their production to at least one home per year.

Habitat for Humanity's program is a complete program in that they identify and qualify potential homeowners, provide donated materials and labor for the construction of the home with a target price of about \$75,000 (well below new construction costs), and provide financing to the homeowner. They can provide tax credits to building materials suppliers in return for donated materials, which is incentive for the suppliers.

Habitat is currently looking ahead and its hope is to someday acquire a tract of land for multiple homes in one neighborhood. Properties currently owned by the LCRA are a part of that discussion because the land cost would be very low as compared to developing raw land or buying in an existing subdivision.

Private Development versus City-Sponsored Redevelopment

This discussion has taken place at various levels of city government. At this point in time with current economic conditions, we believe that the city's best path is to assist or partner with private developers to re-build existing neighborhoods as market conditions improve. With the local resources at its disposal, the city through the LCRA, its Public Works program, and Board of Municipal Utilities along with other resources can provide low-cost land and infrastructure for redevelopment in existing subdivisions.

In addition, it is looking to improve existing neighborhoods through proposing a new neighborhood park on a 12-acre tract in the Sunset Addition. Part of this tract of land was the

site of the Federal Compress Property that was recently demolished. Improvements to other neighborhoods are also under discussion.

At least three builders- Dickie Dockins, Mike Jobe, and Ron McCormick have built and sold affordable housing in recent years with some success of selling homes in the \$95,000 to \$115,000 range. These homes have primarily been homes of about 1,100 to 1,300 square feet.

Conclusion

Ideally, more owner-occupied structures would build the tax base for our city and county and improve the appearance of existing neighborhoods through ownership pride. Current economic conditions, both nation-wide and among individuals, are a roadblock to increasing home ownership in the city. Concerted efforts to increase home ownership would involve lending institutions, credit counselors, and private developers as well as city government.

Another step would be to preserve some of the existing housing inventory through rehabilitation and property maintenance and continue to have housing in the \$50,000 to \$100,000 price range. Individuals are renovating some older homes, but most are going back into the rental market.

This approach is also being addressed by the city and the LCRA through its Neighborhood Stabilization Program (NSP), which will only last about another year. On such a short timeline, the LCRA's goal is to acquire and rehab ten homes for owner occupancy. Funding is available to do more, but the federal government's time limitations will probably not allow us to achieve all of our goals.

Respectfully Submitted by
David Ziegenhorn