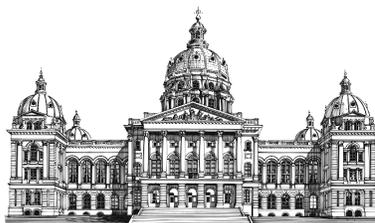


# Iowa Legislative Fiscal Bureau

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State Capitol  
Des Moines, IA 50319  
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## Housing Assistance

### ISSUE

A review of State and federal programs to assist lowans with the rental and purchase of adequate housing.

### AFFECTED AGENCIES

Iowa Finance Authority  
Department of Economic Development  
Department of Human Rights

### CODE AUTHORITY

Chapter 16, Code of Iowa  
Chapter 15.286, Code of Iowa  
Chapters 216A.101 and 216A.103, Code of Iowa

### BACKGROUND

#### ***Iowa Housing Statistics:***

The following statistics are from the FY 1995 Consolidated Plan for Housing and Community Development, prepared by the Department of Economic Development (DED). The figures cited are from the 1990 U.S. Census, unless otherwise noted.

Iowa's population of 2,776,755 people lives in 1,064,325 households, group homes, or are homeless. Of the population, 44.0% live in 11 metropolitan counties (Woodbury, Pottawattamie, Dallas, Polk, Warren, Bremer, Black Hawk, Linn, Johnson, Dubuque, and Scott).

Iowa has 1,143,669 housing units, 42.9% of which are in metropolitan counties. During the 1980s, Iowa had a net gain of 12,370 housing units. During that decade, 114,367 units were constructed, while 101,997 were removed from service. Metropolitan counties had a net increase of 26,343 units, while non-metropolitan counties had a net decrease of 13,973.

Approximately 72.8% of Iowa's households are owner-occupied (1996 data), which places the State sixth in the nation. The median age of all heads of households is 47.4 years, 52.5 years for homeowners and 35.3 years for renters.

The average household size statewide is 2.52 persons, 2.53 in metropolitan and 2.50 in non-metropolitan counties. The median family income for the entire State is \$31,659. Twenty-two percent of the households in Iowa have incomes at or below 50.0% of the area median family income and another 18.0% are between 50.0% and 80.0%.

The average median value of owner-occupied homes in Iowa is \$45,900, \$54,400 in metropolitan and \$38,500 in non-metropolitan counties. Median rents were \$261 per month statewide, \$310 in metropolitan and \$211 in non-metropolitan counties.

More than 400,000 (35.0% of total housing units) were built before 1940. The median year of construction for the current housing stock is 1956 statewide, 1960 for metropolitan and 1951 for non-metropolitan counties. As a general rule, older houses are in greater need of weatherization, repair and rehabilitation. Houses built before 1960 have a much greater chance of containing lead-based paint.

The majority (74.5%) of Iowa's housing stock is single family detached units, 17.9% are multi-family, and 5.0% are mobile homes.

Twenty percent of Iowa households face a housing problem, defined as:

- Overcrowding
- Housing costs in excess of 30.0% of income
- Lack of a kitchen or bathroom

More than 99,500 persons statewide were housed in group quarters, including college dormitories, nursing homes, and correctional institutions.

The State has an estimated overnight sleeping capacity for homeless persons of 2,775 beds, the majority of which are in metropolitan counties. A 1993 study by Drake University and the Iowa Department of Education concluded that nearly 14,000 persons in Iowa were considered homeless, another 2,000 were living in transitional housing, and 25,000 were near homeless.

## **HOUSING ASSISTANCE PROGRAMS**

A summary table of housing assistance programs is provided as **Attachment A**.

### ***Iowa Finance Authority Programs***

The ***First-Time Home Buyers Program*** offers low-interest mortgage loans to qualified buyers. The Authority sells tax-exempt bonds to investors and the proceeds are provided to lenders to make below-market loans to qualified first-time home buyers. The program has been used to assist 15,570 home buyers since its inception in 1977. In 1995, 757 mortgages were provided totaling \$36.0 million.

The ***Down Payment/Closing Cost Program*** provides grants to qualified low-income home buyers (not restricted to first-time buyers) to cover a portion of closing and down payment costs. The grant cannot exceed 5.0% of the mortgage amount, or \$2,750, whichever is less. From 1991 to 1995, the Program has provide \$14.7 million in assistance to over 9,000 families.

The ***Mortgage Credit Certificate Program*** reduces a qualified first-time, low-income home buyer's federal income tax liability by providing a tax credit for 25.0% of the interest paid on a home

mortgage. From 1986 through 1995, the Program has been used to assist 8,606 home buyers with loans totaling \$380.0 million.

The **Affordable Housing Tax Credit Program** provides federal tax credits as an incentive for housing developers to construct or improve affordable rental housing. From 1987 to 1995, the Iowa Finance Authority approved 315 projects resulting in 10,678 rental units in 72 Iowa counties.

The **Home Maintenance and Repair Assistance Program** provides assistance for elderly, handicapped, or disabled Iowans who qualify as low-income families.

The **Rental Rehabilitation Program** provides assistance for the construction or rehabilitation of single or multi-family rental properties leased to low-income families.

The **Home Ownership Incentive Program** provides help to low-income families seeking single family home ownership.

The **Rural Community 2000 Program** (housing category) assists communities and rural areas with development and governmental responsibilities by providing loans and grants for housing. Any local government, housing agency, or other entity (profit or not-for-profit) is eligible to apply for financial assistance. Applicants must be seeking assistance in meeting the housing needs of low-and-moderate-income individuals. A local financial commitment is required.

### ***Iowa Department of Economic Development (DED) Programs***

The DED administers the **Housing Fund**, which combines a portion of the State's federal Community Development Block Grant (CDBG) and HOME funds. About \$16.0 million from these two sources was available for housing in FY 1995. The purpose of the Housing Fund is to expand the supply of decent and affordable housing for low-income persons. This is accomplished by:

- Strengthening the ability of local governments and nonprofit organizations to design and implement affordable housing strategies.
- Providing financial and technical assistance in developing affordable housing.
- Creating and strengthening partnerships between governments and the private sector, both for profit and nonprofit.

The Housing Fund can be used for:

- Rehabilitation of both rental and owner occupied homes.
- New construction of affordable rental housing.
- Financial assistance to home buyers.
- Rental assistance for tenants.
- Administrative costs.

The DED administers a **Housing Assessment Program**, which provides grant funds to cities or neighborhoods to complete housing needs assessments. Grants are available for up to \$2,500 per city or neighborhood, with a cap of \$10,000 for multi-community applications. A local match is required. Assessments are conducted by a private consultant, a Council of Governments, or Iowa State University. The goal of the Program is to financially assist communities to complete comprehensive or targeted housing needs assessments and action planning. The DED allocates

\$100,000 from the Community and Rural Development's General Fund appropriation to complete the assessments.

### ***Department of Human Rights***

The Department of Human Rights administers the ***federal Low-income Home Energy Assistance Weatherization Program (LIHEAP)*** which provides funds for local weatherization activities.

During FY 1996, \$9.8 million in federal, Oil Overcharge, and utility donation funds were expended to weatherize 2,500 homes and to conduct energy assessments of low-income housing statewide.

### ***Non-state Administered Housing Resources***

The federal Department of Housing and Urban Development (HUD) provides loans, loan guarantees, mortgage insurance for single and multi-family housing, support for public housing projects, and other forms of assistance made directly to local owners, by application.

The federal Department of Housing and Urban Development provides annual direct Community Development Block Grants to nine Iowa cities. The communities have the option of using the funds for housing, or for other community development activities. Approximately \$17.7 million was awarded in FY 1994. A percentage of these funds was used on local housing activities.

The Federal Rural Economic and Community Development (formerly the Farmers Home Administration) provides direct loans, loan guarantees, and subsidies made directly to local households and project owners, by application. Programs assist persons meeting certain income guidelines with the purchase, construction, rental, rehabilitation, and relocation of housing.

The Federal Home Loan Bank provides mortgage assistance for affordable housing in projects sponsored by member lending institutions.

### ***Homeless Assistance***

The Iowa Finance Authority provides grants to homeless shelters throughout the State. The grants help shelters with construction, rehabilitation, operations, expansion, and emergency needs. The financial assistance is coordinated with the Emergency Shelter Grant Program of the DED and with homeless assistance provided by the Federal Emergency Management Agency.

The Department of Economic Development administers the ***Emergency Shelter Grant Program*** which provides federal funds for homeless shelters and homeless prevention. Funds are available through annual competition among local governments on behalf of one or more shelters within their jurisdictions. Des Moines and Sioux City also receive Emergency Shelter Grant funding directly from the federal government.

The Federal Emergency Management Agency (FEMA) provides direct funding to homeless shelters.

Total funding available during FY 1996 was \$2.3 million, with the State providing \$450,000 and the federal programs providing \$1.9 million.

## **THE HOUSING SUMMIT, HOUSING INTERIM, AND 1996 LEGISLATION**

### ***The Housing Summit***

House File 577, as passed by the 1995 Legislature, requested the Iowa League of Cities and the Iowa State Association of Counties to hold a Housing Summit to examine housing development

issues in Iowa. The Summit was requested to submit a report to a Housing Development Interim Study Committee meeting in the fall of 1995.

The two associations distributed a survey to 31 organizations involved in housing development. The survey asked respondents to identify problems responsible for the lack of affordable, accessible housing and possible solutions to those problems. In preparation for the Housing Summit, many of the organizations were asked to participate in two work sessions to begin to identify key issues and possible solutions. A public hearing was held prior to the Summit to gather further information on housing needs and solutions.

The 13-member Housing Summit was held on August 29, 1995. The following major recommendations were forwarded to the Interim Committee:

- Modify existing Tax Increment Financing (TIF) language to allow communities flexibility in using TIF, but require each project to designate a set aside fund for low-income and moderate-income housing projects. The set aside would be based on the percentage of low-and-moderate-income households in the county.
- Make housing projects utilizing TIF non-renewable and limit the life of a housing TIF project based on a cost/benefit analysis.
- Make the interest from bonds exempt from State income tax to improve their marketability.
- Direct 95.0% of the Real Estate Transfer Tax to counties.
- Appropriate \$10.0 million to the Iowa Finance Authority to cover reduced federal housing assistance and expand current programs.
- Enable cities to acquire dilapidated vacant houses through nuisance abatement procedures.
- Allow counties flexibility to dispose of tax-delinquent houses.
- Allow local flexibility in the regulation of housing rehabilitation projects.
- Replace the current housing rehabilitation grant program with a low-interest revolving loan program.
- Direct community colleges to re-emphasize building trades programs.

### ***The Housing Development Interim Study Committee***

The Committee was charged with determining what changes should be made to Iowa's housing laws regarding housing development and make recommendations to the 1996 Legislature. The Committee was also charged with consulting with the Department of Economic Development, the Iowa Finance Authority, the Housing Summit, and the Executive Branch. The Committee was to contact persons representing specific housing-related groups and invite them to participate. The Committee met for three days in the Fall of 1995 and made the following major recommendations to the Legislature:

- Extend access to Real Estate Improvement Districts to all counties.
- Allow flexibility in using Tax Increment Financing while limiting the life of each TIF district to a maximum of 10 years.
- Enable cities to acquire dilapidated houses through nuisance abatement.

- Allow counties flexibility to dispose of tax-delinquent housing.
- Divert Real Estate Transfer Tax proceeds from the General Fund to the Iowa Finance Authority.
- Appropriate \$1.2 million of State funds to provide matching funds for the federal HOME Program.
- Encourage local flexibility on building codes, particularly in respect to rehabilitation of housing.
- Encourage the development of construction trades programs.
- Appropriate up to \$10.0 million to the Iowa Finance Authority for a flexible response to reductions in federal housing programs.
- Provide adequate funding to perform housing needs assessments.
- Explore ways to remove the sales tax on building materials used in the rehabilitation of low-and-moderate-income housing.

### ***1996 Housing Legislation***

Senate File 2464, the Housing Development Act, was passed by the 1996 Legislature. The Act made changes to several aspects of the Iowa housing law, and provided additional funding for housing programs. The legislation made the following major changes:

- Removes the pilot project status, allowing Real Estate Improvement Districts statewide.
- Requires the recording of special assessments for each lot within a Real Estate Improvement District and a potential buyer must be notified of the existence of a special assessment.
- Adds public improvements related to housing development to the definition, and makes construction of low-and-moderate-income housing an alternative use of Economic Development Areas.
- Adds low-and-moderate-income housing assistance to the uses for which revenue from Tax Increment Financing may be used. Tax Increment Financing is not allowed for housing and residential development unless the municipality assures the project will include assistance for low-and-moderate-income family housing.
- Allows counties to use the nuisance abatement procedure regarding property which is abandoned or deemed to constitute a public nuisance.
- Allows cities to use their eminent domain powers to condemn residential buildings found to be a public nuisance.
- Allows counties to dispose of single or multi-family housing through a request-for-bids procedure.
- Permits counties to allow property subdivided for housing development to continue to be assessed for taxation at the pre-subdivision value until the lot is sold or a specific time period has elapsed.

- Allows counties to abate property taxes on single and multi-family housing in the same manner as cities, if the property is not located in a city.
- Appropriates \$1.0 million from the General Fund to the Iowa Finance Authority to assist counties in establishing local Housing Councils. Moneys not obligated or expended by June 30, 1997 shall be transferred to the Housing Improvement Fund.
- Redirects two-thirds of the Real Estate Transfer Tax currently deposited in the General Fund to the Iowa Finance Authority. The provision, effective July 1, 1997, directed 60.0% of the funds to counties on a per capita basis to be used for housing programs. The Iowa Finance Authority would receive 40.0% for deposit in the Housing Improvement Fund.  
***This provision was vetoed by the Governor.***

### **CONCLUSIONS**

In conclusion, Iowa has a high percentage of home ownership. Housing costs are low, and there is a favorable ratio between the cost of housing and annual income. Continuing problems or on-going issues in Iowa's housing situation include:

- Aging housing stock.
- Aging home owners.
- Low rents in comparison to the cost of new construction, particularly in rural areas, adds to the reluctance builders have to constructing low and moderate income housing.
- Inability of many to meet down payment and closing cost requirements despite incomes sufficient to make mortgage payments.
- Insufficient facilities for the homeless population.
- Declining federal financial involvement.
- Uncertain State funding for housing needs.

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February 23, 1995

**ELIGIBLE APPLICANTS for SELECTED FINANCIAL ASSISTANCE PROGRAMS**

X = INDICATES APPLICANT IS ELIGIBLE for PROGRAMS LISTED

See Program "Legend" Below	SELECTED FINANCIAL ASSISTANCE PROGRAMS																
	LOCAL				FHLB		IFA			DED		HUD		FmHA			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>ELIGIBLE APPLICANT</b>	TIF	Prop. Tax Abatement	CDBG [or DED]	HOME	CIP	AHP	LIHTC	HAF	DP & CC	Housing Fund (HF)	"Flood" HOME Funds	Sec. 8	Sec. 202/811	Rural Mrtg. Guar.	Sec. 515 (Apts)	Sec. 502 (Homes)	
INDIVIDUALS	X	X							X	X	X						X
MORTGAGE LENDERS					X	X								X			
CITY GOVERNMENTS	X	X	X	X					X		X	X					
COUNTY GOVERNMENTS	X	X	X	X					X		X	X					
OTHER GOVERNMENT ORGANIZATIONS				X					X		X	X				X	
COMMUNITY ACTION AGENCIES				X					X		X	X					
NON - PROFIT CORPORATIONS				X					X	X	X	X	X			X	
FOR - PROFIT CORPORATIONS				X					X	X	X	X				X	
LIMITED PARTNERSHIPS				X					X	X	X	X				X	

**PROGRAM "LEGEND"**

PROGRAM	FORM
1 TIF = Tax Increment Financing	Varies ...
2 Prop. Tax Abatement = Local Property Tax Abatement for Improvements to Property	Discounts taxes
3 CDBG = Community Development Block Grant	Grants/loans
4 HOME = HOME Investment Partnership Program	Grants/loans
6 CIP = Federal Home Loan Bank of Des Moines' Community Investment Program	Loans
6 AHP = Federal Home Loan Bank of Des Moines' Affordable Housing Program	Grants
7 LIHTC = Low Income Housing Tax Credit Program	Equity investment
8 HAF = Housing Assistance Fund	Grants/loans
9 DP & CC = Down Payment & Closing Cost Assistance Program	Grants
10 Housing Fund = DED's "Generic" Fund including CDBG & HOME Funds	Grants/loans
11 "Flood" HOME Funds = Funds rec'd by DED for Flood Damage Remediation/ Replacement Housing	Grants/loans
12 Sec. 8 = HUD's Section 8. Housing Certificates &/or Vouchers	Allowances
13 Sec. 202 / 811 = 202 Program for Elderly Housing / 811 for Disabled & Handicapped	Grants
14 Rural Mrtg. Guar. = FmHA Rural Mortgage Guarantee Program	Loan Guarantees
15 Sec. 515 (Apts) = FmHA Section 515 Loans for Apartment Construction	Loans
16 Sec. 502 (Homes) = FmHA Section 502 Home Loans	Loans

**ELIGIBILITY / COMMON USES for SELECTED FINANCIAL ASSISTANCE PROGRAMS**

X = INDICATES PROGRAM IS ELIGIBLE for TYPE of PROJECT LISTED  
 ? = PROGRAM MAY BE ELIGIBLE ... MAY BE USED in SOME CIRCUMSTANCES

TYPE of PROJECT ACTIVITY	SELECTED FINANCIAL ASSISTANCE PROGRAMS															
	LOCAL				FHLB		IFA			DED		HUD		FmHA		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
See Program "Legend" Below	TIF	Prop. Tax Abatement	CDBG [or DED]	HOME	CIP	HAF	LIHTC	DP & CC	Housing Fund (HF)	"Flood" HOME Funds	Sec. 8	Sec. 202/ 811	Rural Mrtg. Guar.	Sec. 515 (Apts)	Sec. 502 (Homes)	
<b>HOME OWNERSHIP</b>																
Purchase	?		X	X	X	X			X	X					X	?
Rehabilitation	?	X	X	X	X	X		X	X	X	X					
Purchase & Rehab	?	X	X	X	X	X		X	X	X	X				?	
New Construction	?	X	?	X	X	X		X	X	X	?				X	X
<b>SITE DEVELOPMENT</b> (On-Site Utilities, grading, etc.)	X	X	X	X	X	X	X	X		X	X		X	?	X	X
<b>NEIGHBORHOOD IMPROVEMENTS</b>	X	X	X			?	?				X					
<b>RENTAL HOUSING</b>																
Rent Assistance	?			X		X		X		X	X	X				
Acquisition	X		X	X	X	X	X	X		X	X		X		?	
Rehabilitation	X	X	X	X	X	X	X	X		X	X		X		?	
Conversion (from non-housing uses to rental housing)	X	X	X	X	X	X	X	X		X	X		X		?	
New Construction	X	X		X	X	X	X	X		X	X		X		X	
<b>SUPPORT SERVICES</b>	?		?			?	?									

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14 Rural Mrtg. Guar. = FmHA Rural Mortgage Guarantee Program	Grants
15 Sec. 515 (Apts) = FmHA Section 515 Loans for Apartment Construction	Loan Guarantees
16 Sec. 502 (Homes) = FmHA Section 502 Home Loans	Loans

**APPLICATION SUBMITTAL / PROCESSING PERIODS for FINANCIAL ASSISTANCE PROGRAMS**

X = INDICATES APPROPRIATE TIMING for PROGRAMS LISTED

		SELECTED FINANCIAL ASSISTANCE PROGRAMS																
See Program "Legend" Below		LOCAL				FHLB		IFA			DED		HUD		FmHA			
APPLICATIONS	SUB-MITTAL	PROCESS TIME	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
			TIF	Prop. Tax Abatement	CDBG	HOME	CIP	AHP	LIHTC	HAF	DP & CC	Housing Fund (HF)	"Flood" HOME Funds	Sec. 8	Sec. 202/ 811	Rural Mrtg. Guar.	Sec. 515 (Apts)	Sec. 502 (Homes)
ONCE/YEAR		Varies													X			
DECEMBER		60-90 Days			X													
TWICE/YEAR		Varies							X									
4/15 & 10/15		60 Days						X										
ANYTIME		5 - 10 Days										X						
		60 - 90 Days				X				X		X						
		Varies					X									X		
VARIABLES		Varies												X			X	X
ANNOUNCED		Varies												X				
DETERMINED LOCALLY		Varies	X	X														
SPECIAL		Not Known											X					

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16 Sec. 502 (Homes) : FmHA Section 502 Home Loans	Loans