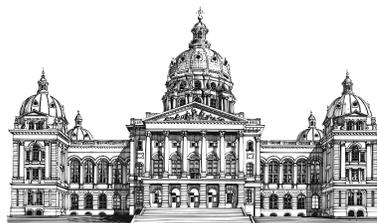

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State Capitol
Des Moines, IA 50319
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Iowa Housing Corporation

ISSUE

The Iowa Housing Corporation is a private, nonprofit corporation created by the Iowa Finance Authority in 1990. This *Issue Review* explains the history, financing, and stated accomplishments of the Corporation from its inception in FY 1991 through FY 1996.

AFFECTED AGENCIES

Iowa Finance Authority

CODE AUTHORITY

Chapter 16, Code of Iowa

BACKGROUND

The Iowa Finance Authority (IFA) Board created the Iowa Housing Corporation (IHC) by resolution on March 7, 1990. The Authority Board Chairperson, Vice-Chairperson, and the Director of the Authority were installed as the original Board of the IHC. Further, the resolution (as amended in July and October 1990) provided an irrevocable grant of \$8.0 million to the new Corporation from excess IFA funds in the Single Family Bond Account to be used to "provide grants, loans, subsidies, assistance, administration, and services to provide safe, decent, and affordable housing for low and very low income Iowans." The one page resolution and the subsequent amendments represent the entire written agreement between the Authority and the Corporation as to the purpose and requirements of the grant, and no formal financial or programmatic reporting was required. The Corporation became operational on March 27, 1990. The Director of the Authority resigned in December 1990 to become President of the Corporation. Ted Chapler, General Counsel for the Authority, subsequently become Director of the Authority.

Prior to the vote of the IFA Board, the Authority staff prepared a briefing paper dated February 1990, which advocated the creation of a private, non-profit corporation to assist in the development of public-private partnerships to benefit low and very low income housing in Iowa. Specifically, the paper stated (quoted in part):

A private housing corporation based on public-private working relationships should be formed by IFA. The Corporation would provide new public and private resources along with the ability to maximize and distribute resources more effectively. (page i)

The creation of such a private corporation would offer a mechanism for timely, creative response with less government intervention. The Corporation's role would be that of a broker between the private sector, all levels of government, and local housing groups bringing financial and technical assistance to each project to facilitate its successful completion. (page 4)

In order to ensure private sector participation, it is important that the Corporation operate as an independent entity. The private sector is reluctant to become involved with the auspices of government at any level. Private corporations are more efficient in meeting the needs for technical assistance and leveraging private funds. (page 5)

The establishment of a Housing Corporation would guarantee that any excess Iowa Finance Authority bond-generated dollars would go to housing. Through the Corporation, housing funds would be protected from diversion for other purposes and a housing fund that will live on in perpetuity will be created. (page 5)

A legal instrument which makes a transfer of Iowa Housing Authority funds to the Corporation will be prepared. It is the intent of the Authority to guarantee that excess IFA funds be dedicated to housing and related activities. Accordingly, a simple instrument making a transfer is desirable, but it is essential to direct what the funds be used for. (page 11)

The Corporation will commit itself to raising money from the private sector, while also expanding the level of public sector support. (page 12)

As the Corporation matures, it would operate primarily on earned income. Fees would be charged for contracts with local organizations and agencies for management of programs, for financing, and for technical assistance. (page 12)

Therefore, this report makes the following recommendations:

- The Iowa Finance Authority should establish an independent Corporation to receive and disburse funds from public and private sources to be used to further the overall development and well being of the State of Iowa by assisting the implementation of housing and other efforts as mandated by Chapter 220, Code of Iowa. (now Chapter 16)
- The Corporation should receive an initial transfer of funds from excess Iowa Finance Authority bond reserve funds so that it is adequately capitalized in order to: a) provide housing services and b) become self-sufficient. (page 13)

The report listed the following proposed functions of the Corporation:

- The Iowa Housing Corporation will do what the State, local governments, and the private sector cannot do alone.

- The Corporation is the most innovative, effective, and efficient way to assist in solving Iowa's low-income housing problems. It will:
 - Serve as a central resource for providing programs and support to the local housing efforts in both rural and urban areas.
 - Coordinate the existing efforts of IFA, other state agencies, federal and local government entities, and private interests.
 - Leverage private funds.
 - Ensure private sector involvement by eliminating government red tape.
 - Provide fast, direct service and programs that cannot be timely delivered by government.
 - Protect housing funds from diversion for other purposes.

The paper reviewed similar programs already in existence in Wisconsin, Maine, Kentucky, and Massachusetts. The paper also included as an attachment, a letter from Mark McCormick of the Belin, Harris, Helmick, Tesdall, Lamson and McCormick law firm, dated January 30, 1990. The letter provided a legal opinion concerning the legality of establishing a Corporation and having overlapping Boards of Directors. The answers were as follows:

The Board of Directors of the Iowa Finance Authority can legally establish a private nonprofit corporation which can receive public and private funds including grants from the Iowa Finance Authority and use those funds to meet the same housing needs as are within the public purposes of the Iowa Finance Authority.

Common board membership and the granting of funds would not without more make the new entity an instrumentality or alter ego of the Iowa Finance Authority.

FINANCIAL INFORMATION

The Corporation received the grant of \$8,000,000 in FY 1991. Since that time, the Corporation's net worth has grown to \$9,857,772 at the end of FY 1996. The major source of income has been the interest generated on the Corporation's financial assets, followed by contributions from outside entities (mostly grants from government agencies). The major expense item has been personnel, followed by donations/grants and professional services/consulting. The following table, based on annual audits of the Corporation, presents the revenues, expenditures, and balances of the Iowa Housing Corporation.

Iowa Housing Corporation		
FY 1991 - FY 1996		
	Actual FY 1996	Total FY 91 to FY 96
Beginning Balance	\$ 9,566,967	\$ 0
Revenues		
Fin. Authority Grant	\$ 0	\$ 8,000,000
Contributions	325,010	1,393,431
Interest	602,984	3,413,406
Payment for Services	75,648	262,852
Investment gain	156,131	383,984
Other income	4,083	17,057

Total Revenue	<u>\$ 1,163,856</u>	<u>\$ 13,470,730</u>
Expenses		
Salaries and benefits	\$ 552,910	\$ 2,171,173
Travel	21,216	108,655
Supplies & Equipment	15,196	61,135
Printing	2,324	23,533
Telephone	5,828	27,769
Rent	32,717	141,827
Depreciation	35,342	141,921
Prof. Serve/Consulting	73,974	382,414
Other expense	11,566	48,585
Donations/Grants	121,978	505,946
Total	<u>\$ 873,051</u>	<u>\$ 3,612,958</u>
Ending Balance	<u>\$ 9,857,772</u>	<u>\$ 9,857,772</u>

In six years, the Corporation has provided just over \$500,000 in financial aid to housing projects. However, the primary method of assisting housing development used by the IHC has been technical assistance with project feasibility, financing, and implementation. Financial assistance is a secondary method of project assistance.

The Corporation offices are at 100 Court Avenue in Des Moines. There are presently five employees of the IHC. The present Corporation Board consists of the Chairperson and Vice-Chairperson of the Iowa Finance Authority, the President of the Corporation, and two outside members knowledgeable in the area of affordable housing.

ACCOMPLISHMENTS

The Iowa Housing Corporation produced a report, dated January 1997, which presents an explanation of the objectives, functions, and accomplishments of the Corporation in its six years of existence. The goals and functions are not materially different than those presented in the briefing paper dated February 1990, and described above.

According to the report, the types of housing projects assisted include:

- Single family home ownership, rehabilitation, and new construction.
- Multi-family rehabilitation and new construction.
- Building conversion into apartments.

The types of assistance offered include:

- Technical assistance and financial packaging.
- Homeowner programs.
- Low interest subordinate loans.

The following table provides a summary of the 111 projects for which the IHC provided assistance in FY 1996 and since the Corporation's inception. The table does not include conventional debt associated with financing the projects, which the Corporation lists at over \$90.0 million.

**Iowa Housing Corporation Projects
FY 1991 - FY 1996**

	Actual FY 1996	Total FY 91 to FY 96
Number of projects	17	111
Number of units	414	3,715
Average units per project	24	33
Number of communities	13	79
Statewide projects	0	8
Urban projects	9	54
Rural projects	8	49
Total assistance secured	\$ 9,019,857	\$ 36,294,709
Average assistance per project	\$ 530,580	\$ 326,979
Average assistance per unit	\$ 21,787	\$ 9,770

The majority of the assistance secured is in the form of public or quasi-public housing grants and tax credits. The listed sources of assistance include:

- Federal Low Income Housing Tax Credit - \$6,589,793
- Federal Home Loan Bank Program - \$2,539,780
- Iowa Finance Authority Housing Assistance Fund - \$3,795,882
- Department of Economic Development Housing Fund - \$11,363,484
- Iowa Housing Corporation Housing Program - \$2,705,039
- Other Programs - \$9,300,731

The types of financial assistance include equity, grants, and market rate and below-market rate loans. The report also includes a list of the 111 projects. However, the amount or type of assistance for each project is not listed and it cannot be determined if the project could or would have been completed without the assistance of the IHC.

AVAILABLE Information

The Legislative Fiscal Bureau has copies of the following information related to the Iowa Housing Corporation:

- Financial audits - Fiscal years 1991 through 1996
- Iowa Housing Corporation Briefing Paper for the Iowa Finance Authority (February 1990)
- McCormick letter (legal opinion)
- IFA resolutions creating the IHC and granting funds
- IHC Articles of Incorporation

- A Corporation timeline completed by the IHC
- Iowa Housing Corporation Report dated January 1997

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Iowa Housing Corporation