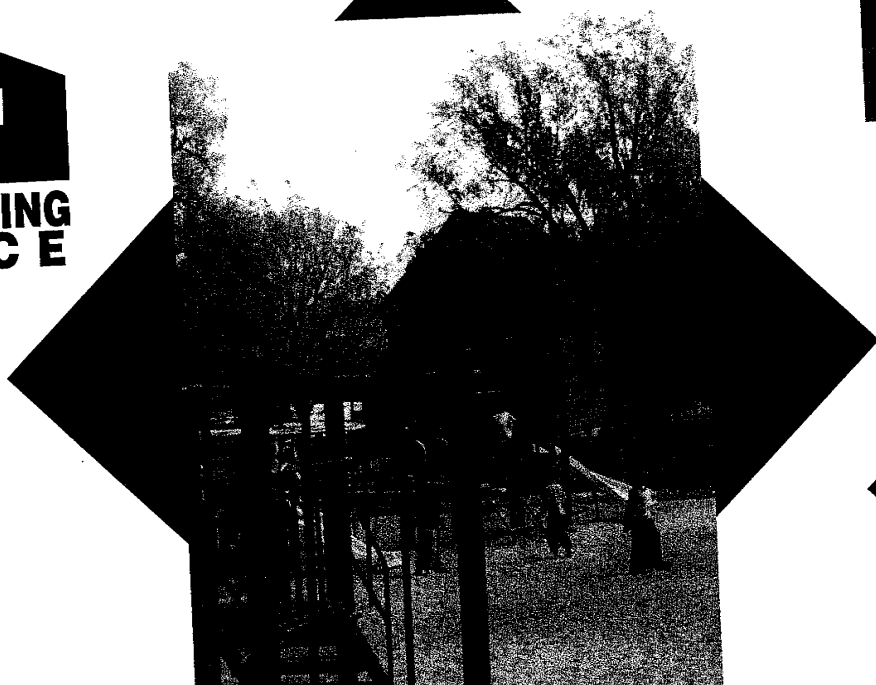


A Comprehensive Housing Strategy for Iowa

Executive Summary
December 2000

**GOVERNOR'S HOUSING
TASK FORCE**



Message From the Co-Chairs

It has been an honor and privilege to serve as co-chairs of the Governor's Housing Task Force. As all members of the Task Force recognized throughout the process, addressing housing issues in Iowa is critical to the growth and well-being of families and communities across the state.

We would like to express our appreciation to the members of the Task Force, and particularly to those who took on leadership roles in the committee work. Throughout the report, strong messages are given about the importance of housing for the state. The issues and solutions were reached in a non-partisan way that allows for recognition of the array of perspectives on the issues.

The vision and impetus for the attention on housing comes from Governor Vilsack. Participation by the legislative members of the Task Force added a valuable policy perspective, helping to shape the final report and recommendations. The staff of the Iowa Finance Authority provided the Task Force, and us as co-chairs, with the information, support, and assistance necessary to get this big task accomplished in a timely fashion.

Housing stakeholders – policy makers, developers, providers, and housing consumers – are invited to consider the issues and recommendations brought forth by the Task Force. We believe implementing the Task Force Priority Recommendations will strengthen Iowa's housing programs and improve housing opportunities for all Iowans.



Linda Cottingham
Co-chair



John Roof
Co-chair

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Acknowledgements

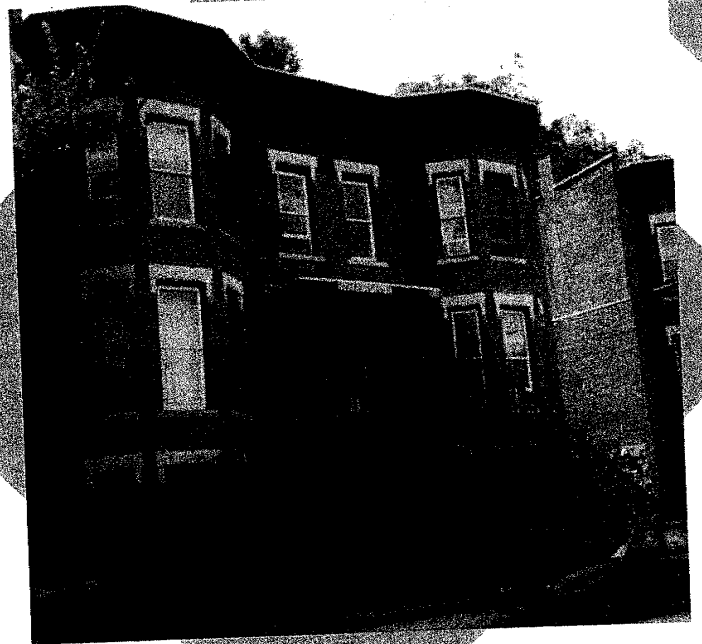
Developing a comprehensive housing strategy for the state of Iowa was a complex process that required the Governor's Housing Task Force to consider a multitude of issues. Many groups and individuals were involved in providing information to support the Task Force in its deliberations.

The Governor's Housing Task Force expresses great appreciation to Governor Thomas J. Vilsack for his commitment to and vision for Iowa's housing needs.

Linda Cottingham and John Roof devoted many additional hours in their role as co-chairs of the Task Force. Five members of the Task Force – Harry Bookey, Gary Dodge, Jim Gossett, Kate Ridge, and Dean Spina – chaired the subcommittees that developed the recommendations included in this report.

The Task Force extends its thanks to The Housing Roundtable, a forum for housing programs, and other agencies and their representatives for their ongoing interest and assistance. The Task Force also wishes to thank those groups and individuals who made the four public forums informative and successful.

Special gratitude is extended to Michael Tramontina, Loyd Ogle, and the Board and staff of the Iowa Finance Authority for their efforts in launching, sustaining, and coordinating the Task Force effort. State Public Policy Group provided staff, facilitation, and management of the Task Force process.

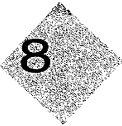


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Mr. Gary Dodge, committee chair
Mr. Jim Gossett, committee chair
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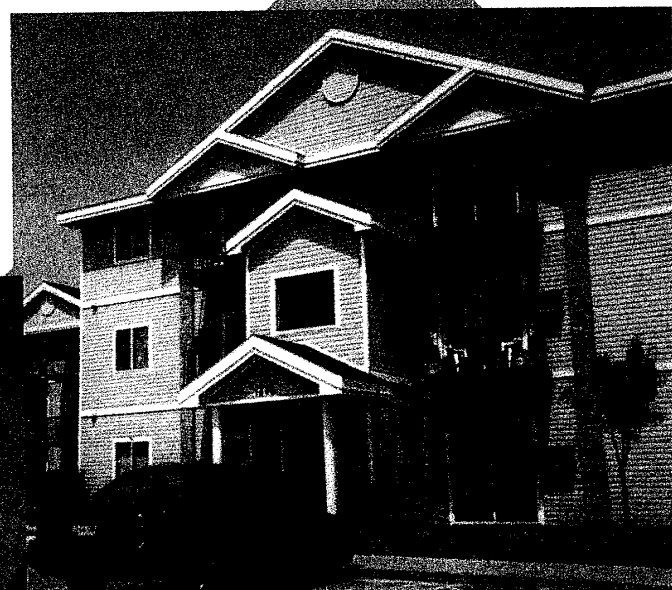
Preface

Even as the private housing industry has boomed in Iowa over the past decade, a variety of housing problems have risen to a critical level across the state. Nearly all the growth of housing has been concentrated in just six metropolitan counties, while across two-thirds of the state, in rural areas and pockets in urban areas, the housing market has stagnated and declined.

As the state attempts to solve the problems of the exodus of young people, workforce shortages, migration from rural to suburban and urban areas, increasing numbers of families in poverty, aging of the population, immigrant and refugee arrivals and raising the educational levels in schools with high percentages of low-income children, it will be necessary to deal with Iowa's housing problems. Until now, there has not been a strategic plan or comprehensive approach to the housing needs of Iowans.

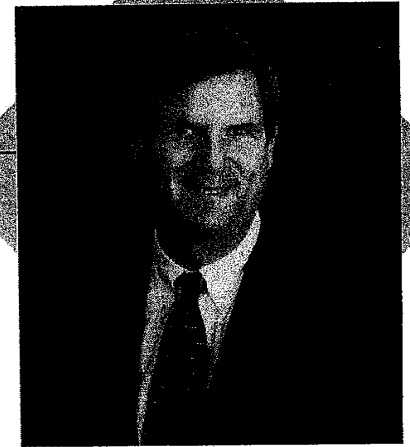
As a first step in this initiative, the Iowa Finance Authority commissioned a study assessing Iowa's housing needs. This study was conducted in 1999 and 2000 by Dr. Heather MacDonald, Chair of the Graduate Program in Urban and Regional Planning at The University of Iowa. The second step, as recommended in *The 2010 Strategic Plan for Iowa*, was for Governor Vilsack to appoint a 55-member Housing Task Force. This broad range of issues created a complex challenge – to present a consensus report, including specific recommendations.

The Governor's Housing Task Force intends that this report be used by state and local policy makers, private sector developers, and housing program administrators as they address the larger issues facing Iowans and the state.



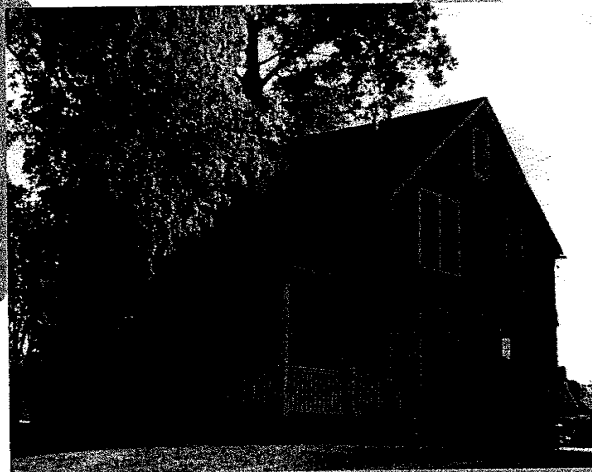
Governor's Directive

The Task Force will develop a mission statement to provide direction and focus for the state on housing policy.



The Governor's Housing Task Force Mission:

- A vision/strategy for the state as a partner with federal and local government, nonprofit, and private sectors;
- Awareness of unmet housing needs; and
- Policy as a means to attract more, younger, and better-paid lowans.



Background

In the past, most housing assistance was provided by the federal government, to public housing agencies and private developers, mostly through HUD and USDA Rural Development. Housing programs in Iowa are provided and overseen by two state agencies — the Iowa Finance Authority and the Iowa Department of Economic Development. The Iowa Department of Human Services provides housing subsidies to those with disabilities.

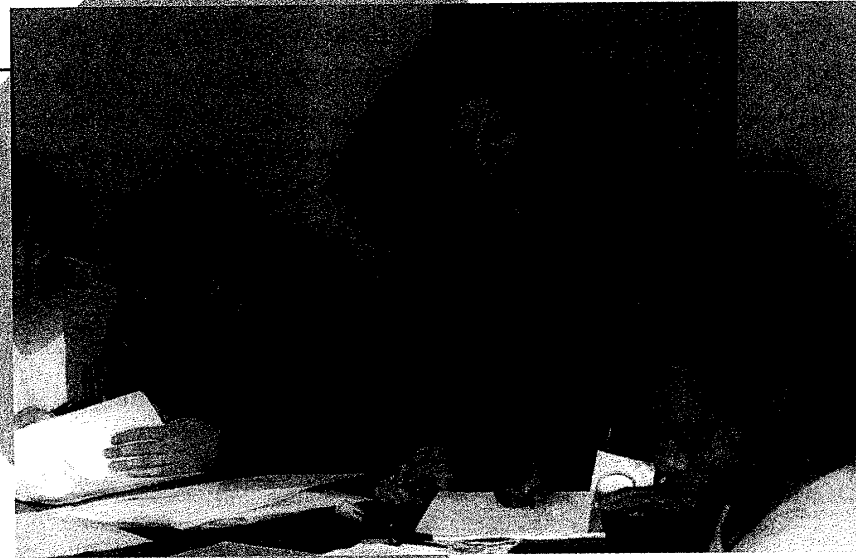
Currently, the Iowa Department of Economic Development provides funds to assist counties and cities in conducting local Housing Needs Assessments. The process leads to the collection of local data and analysis of information such as demographics and affordability.

The Governor's Housing Task Force, with its 55 members, represented the private sector, the public government sector and the non-profit sector. Many of the Task Force members have housing experience in some venue and are very familiar with the state's programs and the pros and cons of each.

The University of Iowa study was an important starting point for the Governor's Housing Task Force. The University of Iowa study assembled data to provide a picture of the variety of housing problems throughout the state, the programs and initiatives used to address those problems, the volume of unmet housing needs in the state, and identification of priorities to guide policy, and current issues in Iowa's housing situation.

The Task Force began its deliberations by reviewing the University of Iowa study and the major identified issues. The Task Force was divided into committees to assist review and deliberation of information and issues. The committees included Home Ownership, Rental, Quality of Life, Special Needs, and Environment and Technology.

The committees met independently and determined the issues under each of these areas they believed the state needed to address in some way. The full Task Force reviewed the recommendations and further prioritized them.





Issue Framework

As the Governor's Housing Task Force focused its attention on housing, the relevance of many broader statewide issues became clear. The success of Iowa and its communities and regions in achieving their goals may well depend on addressing basic community development and growth issues. The relationship of housing to these issues may not always be obvious, but it is most certainly a factor.

Mixed-Income and Mixed-Use Neighborhoods Appeal To Many People —

One of the most publicized problems Iowa faces is the steady loss of college graduates and other young people from communities to other states. Iowa's "best and brightest" are seeking higher paying jobs and stimulating surroundings in cities including neighboring states – the Twin Cities, Omaha, Denver, Kansas City and St. Louis. Each of these cities is in the midst of a revival of downtown housing. Typically, this housing is in "mixed-use" and "mixed-income" neighborhoods made of not only young, single people but older "empty-nesters".

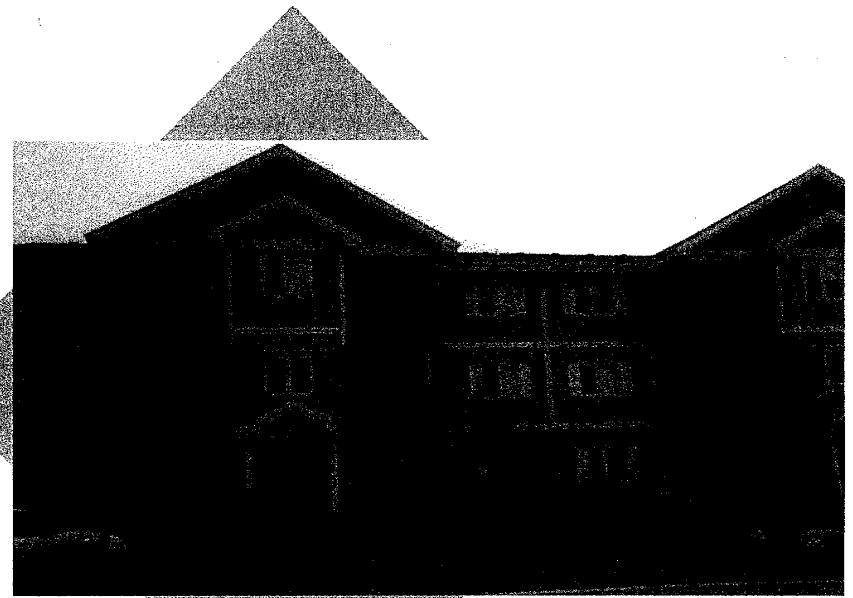
Revitalized downtown neighborhoods are typically comprised of housing, commercial shopping, cultural and entertainment facilities and offices. The housing stock is mixed, offering rental units with owner-occupied town homes. This type of housing and community environment is appealing to people in all income levels, though, typically, not families. The younger generation is attracted to the recreational opportunities in parks, riverfronts, and paths that align with many city's birthplaces.

These downtown communities need not be found solely in metropolitan areas. The exact same types of buildings, neighborhoods and natural amenities can be found in many of Iowa's county-seat towns around the traditional town squares.

"Stagnant" and "Declining" Markets Cover Both Rural and Inner-City Areas and Require Government Subsidy to Spark Market Rate Development – Currently, sixty-eight of Iowa's most rural counties and its metropolitan inner cities have housing markets that are uneconomical to either build new houses or even rehabilitate existing housing.

While the purchase price of a home is set by the buyers and sellers, the amount that can be financed with a mortgage is determined by a lender who relies on an appraisal based on comparable sales in the neighborhood or community. In stagnant or declining markets the appraised value won't be as high as the cost of the new or rehabbed home so private developers cannot operate in this environment. To

build houses that are appealing to business owners or middle-class workers, it is necessary to fill this gap with a variety of subsidies which can come from a variety of public and private sources. Subsidies can come in the form of land and infrastructure, down payment assistance or tax abatement for purchasers or tax credit for developers. Many cities, counties, and states use non-profit housing corporations, housing trust funds or Community Development Financing Corporations as a method of accepting private contributions for housing programs. Subsidies need not be a permanent requirement. Once the sales start and the market gains momentum the appraised value of the successive houses will reach the cost to build or rehabilitate.



Income Restrictions Attached to Federal Block Grant Funds —

HOME funds available from cities over 50,000 population and for small cities from IDED the size of the pool of homebuyers and renters eligible to purchase or rent housing that is federal funds. The pool of eligible parties is even smaller because the median income levels very low in rural areas. In those areas, someone with a job paying just above minimum wage would have an income too high to benefit.

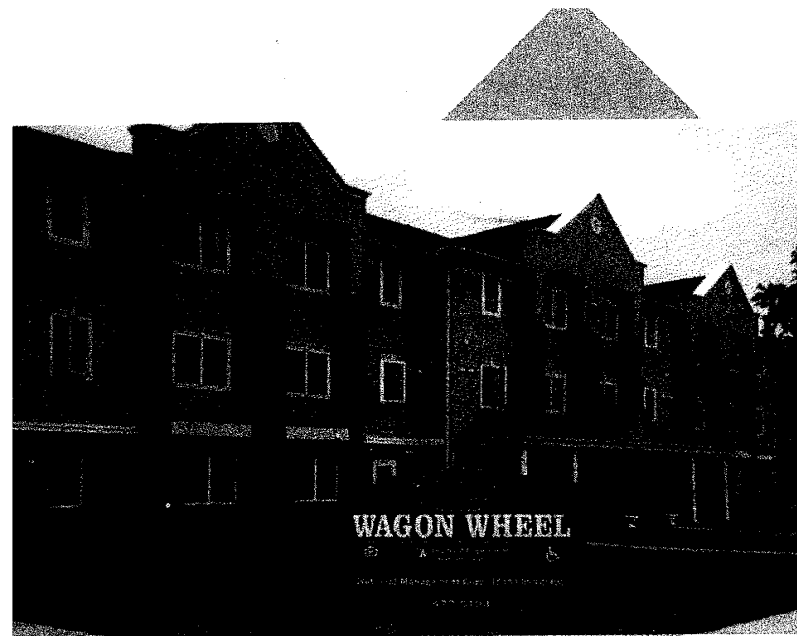
Federal CDBG and have restrictions that limit financed, in any way, with promulgated by HUD are very, very low in rural areas. In those areas, someone with a job paying just above minimum wage would have an income too high to benefit.

Affordable Single-Family Homes are an Asset for Retaining and Attracting Young Iowans — In recent years chambers of commerce and the state of Iowa have launched various initiatives designed to bring native Iowans back home to settle and raise their families. The focus has been on jobs, low crime rates, good educational opportunities, and quality of life. Affordable housing is also a lure for young singles and couples seeking ways to settle down and raise their families in the lifestyle in which they were raised. A challenge for all communities is to find solutions to housing options for singles, couples, and young families that want to return several years after leaving Iowa.

Non-Profit Housing Providers Can Be an Important Link to Immigrant and Refugee Populations —

Iowa has always been an attractive destination for immigrant populations. Germans, Danes, Norwegians, Irish, Thaidam, Vietnamese, Hmong, and multitudes of others have populated the state over the generations. More recently, immigrants have again looked to Iowa as a new homeland.

Iowa's workforce shortage, particularly in production worker, food service, hotel, and mid-level positions has contributed significantly to an increase in immigrant populations. Affordable and safe housing is a critical issue for these new Iowans. They often need additional



support with entering into a lease, understanding local housing rules and customs, language, legal issues, education and immunization of children. These support services are nearly as important to communities as having affordable housing itself. Iowa is fortunate to have non-profit housing providers accustomed to working with tenants with special needs. Outside the urban areas more non-profits are needed to provide these types of services.

A second issue relates to refugee populations. Entire families usually arrive and are working with a refugee settlement agency or sponsor who assists in finding and supporting their early needs and transition. This presents challenges accessing safe, affordable housing. As Iowa becomes a more diverse state, housing options and support services will necessarily need to adapt to these changes. Creative financing options for new Iowans who come from cash-only

economies becomes a
ultimately meet housing

challenge, as does home-buying and home ownership education. These issues are critical to needs of all Iowans.

Iowa Needs Housing Suitable for Persons Older than 85 Years — Iowa's population continues to age. The state ranks first in frail elderly — people over 85 years of age. As Iowans age, they are more likely to be living alone. There are clear implications for the types of housing that elders seek and need. By and large, elder Iowans wish to live independently for as long as possible. The growing elder population — with the baby boomer generation right behind — virtually guarantees a stronger demand for different types of housing than are currently widely available.

Supportive Services are Part of Long Term Solutions — Affordable housing is the foundation on which low-income persons can begin to achieve independence. Without supportive services, this foundation is too weak to be fully effective. Supportive services and quality affordable housing need to be offered simultaneously.

Low-income families face a myriad of difficulties that can only begin to be addressed with the provision of affordable housing. The addition of supportive services to an affordable family housing development can better the family economic situation, improve their parenting skills and assist them in maintaining their home.

In Iowa there are many low-income elderly who can no longer afford a traditional assisted living arrangement, nor can they continue to live in their home. Iowa has begun to address the affordable housing alternatives available to Iowa's seniors. Few offer any type of

services, and many are located in remote areas with limited access to outside services with provisions of supportive services on-site.

Supportive services are also an important component in fostering the independence of persons with disabilities. Many more persons with disabilities may be able to live independently in their own communities if greater access to affordable housing with services was available.

The current lack of supportive services has left Iowa with fragmented housing, high vacancies, deteriorating housing conditions, rising numbers of homelessness, continued unnecessary institutionalization of the elderly and disabled, and increased community distress.

Persons with Disabilities are Underserved — Last year 19,964 persons with disabilities received services from the Department of Human Services. It is estimated that nearly all of this population has a housing problem. The best available data indicate that there are less than 400 units statewide designated for persons with disabilities.

Two-thirds of the Iowa communities surveyed indicated they do not review plans for new multifamily construction to determine if they are accessible to persons with disabilities. Possible avenues of legal recourse taken after a development is built have proven to be inadequate, costly, and ineffective in promoting future accessible development.

Furthermore, the stricter implementation of ADA and FHA accessibility standards does not ensure that accessible units are ever rented to persons with disabilities. The current minimum requirements, even if adhered to, are unlikely to be enough to close the gap that exists between the number of units demanded and the number of units that would be supplied, especially given the number of years the housing needs of persons with disabilities have been neglected.

Too Many Low Wage Workers Still Cannot Afford a Decent Home — Some of Iowa's population continues to fall deeper into poverty. The poverty rate increased from 5.9 percent in the late 1970s to 9 percent in the mid-1990s among families with children in which the head of household works. These Iowans, who form the core of the service sector of our economy, have not ridden the wave of unprecedented economic prosperity experienced by the majority of Iowans.

Housing costs for these families greatly exceed their disposal income. On average an Iowan needs to earn a minimum wage of \$9.10



per hour to afford a two-bedroom apartment at current fair market rents, and in some parts of the state, the minimum wage needed is as much as \$11.19 per hour. Simply, housing problems primarily affect renters under 30% of median income (i.e., \$16,000 or less for a family of four).

It will be vital for the state to increase its financial commitment to housing as well as take leadership in fostering public/private partnerships that will bring the cost of housing within the grasp of Iowa's working poor.

Shortage of Affordable Housing Leads to Workforce Shortage — Iowa has set records for low unemployment rates in recent years. Jobs are integrally connected with housing. Without the appropriate level and quantity of housing for employees, business or industry cannot attract workers – or the community cannot attract the business or industry. Housing that is built in smaller communities is likely in the mid-value range, leaving both the higher-end buyer and the lower-end buyer without many options in the community.

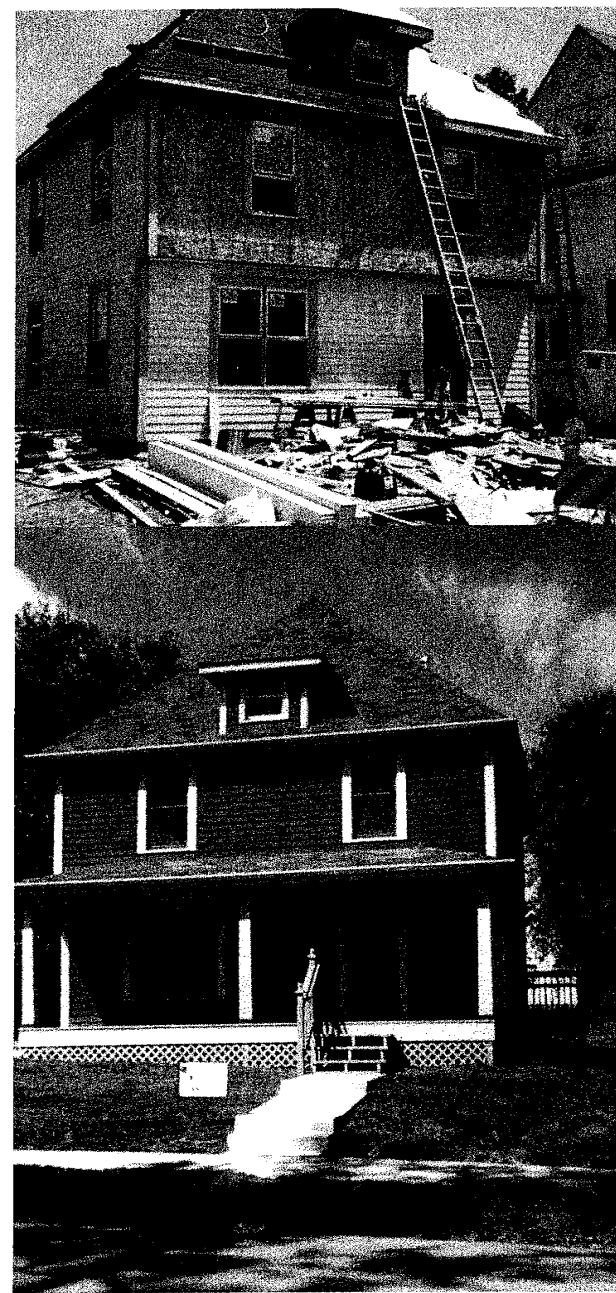
Housing is preferred to be in relative close proximity to the workplace. While studies show there may well be adequate numbers of housing stock in the state, it may not be appropriate stock for the kinds of workers seeking to locate there or the housing may not be available in sufficient quantity to meet the need.

Suburban Housing Boom has Left both Rural and Older Urban Areas Behind — Much is made about the perceived differences between urban and rural interests in Iowa. What has become clear through the Task Force process is that the problems faced by rural and urban communities in addressing housing needs are very similar. Large areas of rural Iowa are in stagnant and declining housing markets. These areas are typically characterized by below-average housing prices and low median incomes. This results in a lack of private capital investment and a decrease in the quality of the housing stock. This is exactly the same problem faced by many urban sub-markets. In both urban and rural areas, a common strategy can

be employed to target public resources in partnership with the private sector to impact both the rural and urban local housing markets.

The State Needs to Assist Local Officials to Make “Smart” Development Decisions – It has been estimated that every seven years an area approximately equal to the size of one averaged-sized Iowa county is converted to residential, transportation, commercial, industrial or similar uses. At the same time, the data supporting this estimated conversion is difficult to obtain. To better clarify this concern, an in-depth analysis of Iowa





land uses is necessary to establish the new millennium benchmark and to measure future changes in land use.

Continued conflict between the agricultural producers of the state and encroaching residential uses is to be expected. Forms of government lack cohesive detail to identify appropriate areas of the state to target preservation for agricultural production through alternative incentives and the appropriate balancing of state laws.

There is also wide diversity among political subdivisions in the utilization of technology with respect to managing land use information, whether it is in the context of taxation, planning and zoning, emergency management or protection of natural resources. The time and technology are right for a broad inventory of land use in Iowa.

Suburban Communities Benefit from Affordable Housing – Nationally, job creation over the past eight years has increased rapidly, but those new jobs are not evenly distributed among inner cities, rural areas, and suburbs. HUD estimates that 75% of new jobs are created in suburbs. The result, in Iowa, just as in the rest of the country, is a shortage of workers, particularly entry-level in suburban areas. One incentive to attract those workers is affordable housing.

The state must be deliberate in the allocation of federal subsidies like Low Income Housing Tax Credits and Tax Exempt bonds because, in metropolitan areas, the legal maximum rent levels in federally-subsidized housing is usually not much below the market rents. Therefore, the subsidy often goes disproportionately to the developers and not to tenants. Discretion is needed in allocating the federal subsidy toward projects which agree to charge below market or below the maximum allowed rents or to favor development in the stagnant or declining markets, such as rural counties or low-moderate income census tracts of the central cities.

Suburban cities and counties with a growing housing supply and which still have highly desirable sites, are in a position to negotiate with developers over the location and size of affordable housing developments in a way that rural and older, developed cities are not.

Quality Housing Contributes to the Health and Well-Being of

Iowans — Health hazards such as lead-based paint, lead solder in water pipes, asbestos, radon, or faulty heating systems are critical housing concerns. Some are issues primarily with older homes, but others affect housing of all types and ages.

There are other factors. Locations near sources of pollution, noise, or traffic may also have an adverse impact on health. Tight-fitting windows and doors, as well as reliable and safe sources of heating, clearly have positive impacts on health. Even in Iowa there are people who are living in homes that are damaged or structurally unsound. Often they are immigrants. Safe, quality, housing is a fundamental requirement to support healthy families and healthy workers.



The Lack of Affordable Housing is an Important Factor in Educational

— Children from low income families are often disadvantaged in the classroom by frequent moves. If children live in substandard housing, or are forced to move every few months because the rent is unpaid, or sleep on the couch at an aunt's house, they have a harder time focusing on schoolwork both at school and at home. They are also less likely to build relationships with teachers and school officials who can help them. Study after study over the last 10 years has shown that poorly-housed children fall as much as one grade behind their adequately-housed peers.

Attainment

Low income families with three or more children can find it impossible to find, let alone afford, a four or more bedroom unit at any price.

As communities lose population to other states or to larger communities, the student base and the tax base dwindles as well.

From another perspective, in communities where student growth is rapid because of the sudden expansion of housing in the area, schools systems are pressed into use of temporary classrooms, recruiting additional teachers, and adapting the system to a growth mode from a more typical maintenance or decline trend. These issues underscore the importance of housing program administrators and developers to closely work not only with local municipal officials, but with school officials as well.

Older Housing Stock Can Have Hazards – Iowa's housing stock is relatively old and is not meeting the current needs of Iowans. Because so much of Iowa's housing was built between 1930 and 1950, there is a real need to consider housing rehabilitation projects, particularly in Iowa's rural areas. Most 1990s housing construction was in suburbs and not spread across rural and urban communities.

Directly related to the issue of housing stock is the shortage of housing contractors in the state. Unfortunately, even after the economy rebounded from the 1980s farm crisis, many of those contractors remained away from Iowa. Those effects continue to be felt in Iowa today.

“Brownfield” Redevelopment Capitalizes on our Existing Infrastructure Investment - Existing inner-city neighborhoods often have lots with dilapidated structures or vacant lots. For private developers the cost and risks of redeveloping those “brownfield” lots can be higher than developing on clean, bare ground. Often the advantages of brownfield development is lost. Too many communities are aided by state policies that overlook the cost of providing the infrastructure and services when considering investments in housing. In the long run, public investment in cleaning up lots and repairing streets in older neighborhoods which already have the basic infrastructure and services is a wiser investment.

Currently state and federal financing programs for brownfield cleanup are limited to economic development uses and cannot be used for redevelopment as housing. Deterioration of just one house on a block can pull down the values of every house in a neighborhood, which eventually begins a spiral of declining values that make investments by developers or home owners uneconomical.

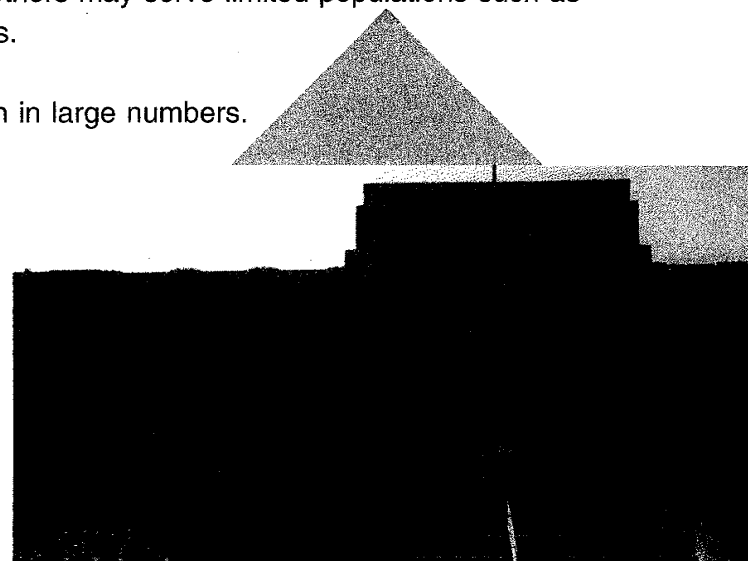
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Those planning for and targeting housing development must include all infrastructure issues in their deliberations and agreements. Housing without infrastructure capable of serving residents for decades to come will not give Iowa the efficiencies and return on its investment that the state seeks in its housing programs.

Rental Housing Should be Located Near Public Transportation Corridors – Public transportation in Iowa is available in the state’s larger communities and metropolitan areas, as well as in some rural areas, through a regional transit system. Rural regional systems provide varying services. Some may serve the general public; others may serve limited populations such as elderly, people with disabilities, or those needing transportation to obtain medical services.

Iowans have a traditional lack of interest in or commitment to using public transportation in large numbers. Iowans rely on their own transportation sources – the family car – and maintain an independent attitude toward getting from one place to another.

The implication for housing is evident. Where you live, then, is often dictated by where you work. These issues are currently providing challenges to rapidly growing communities as well as providing opportunities for those seeking to develop more interesting new options for housing.



Cultural and Recreational Opportunities such as Walking Trails, Bike Lanes, Central City Parks, and Riverfronts Create Amenities Governments Can Use to Spur Housing Development – Never before have culture, tourism, entertainment, and recreation garnered as much attention as they are right now. The connection with housing seems nebulous, but is very real. Without culture and recreation opportunities, it has been shown that people simply are not interested in living in an area. The CAT Fund (Community Attraction and Tourism Development Fund) and the Vision Iowa Fund were established by the Iowa Legislature to provide communities of all sizes with financial assistance in implementing community attractions initiatives with local, regional, and statewide impact.

Housing advocates, program administrators, and developers must be mindful of their responsibility to ensure there are a variety of housing options for Iowa's residents as well. It is crucial for the state's housing strategy to be complementary to the state's strategic goals in areas such as culture and recreation.

Quality of Life is a Critical Asset in Iowa – Quality of life is about how people feel about the things that surround them in their life. Housing most definitely is a significant component of any individual's quality of life. Quality of life in housing requires that people live in space in which they are comfortable. People want to live in interesting places. Town squares, old warehouses, wooded areas, in the midst of a city's hubbub, or in a small town's quiet neighborhood are examples of diverse and interesting places to live. The comprehensive housing strategy must include considerable attention to quality of life in housing as the most basic level at which Iowa individuals and families seek to create their own comfortable niche.

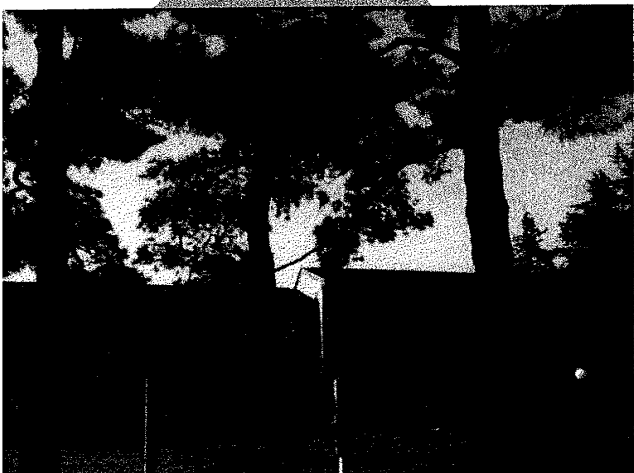
Analyzing the Issues

On a daily basis, housing impacts every Iowan. To best address the many issues, the 55-member Housing Task Force created five committees to research and analyze topical areas.

The five committees covered the following areas:

- Environment and Technology
- Home Ownership
- Quality of Life
- Rental
- Special Needs

Recommendations for action were thoughtfully developed based on the needs identified and analyzed by each committee. All recommendations were presented by each committee to the full Task Force for its consideration and deliberation. The work of the committees is the foundation of the recommendations presented in this comprehensive housing strategy.



Priority Recommendations

Comprehensive Housing Strategy for Iowa

Mission of Iowa's comprehensive housing strategy:

Iowa's state-led housing initiatives will ensure that all Iowans have access to safe, affordable housing options appropriate for their individual lifestyle and income, and will support quality of life. The comprehensive housing strategy will contribute to the vitality and growth of Iowa and its communities.

As part of that review, the Task Force and committees recognized the importance of key findings of the housing assessment study completed by The University of Iowa. The housing study documents housing needs in Iowa and makes the case for increased public and private resources for housing. To summarize a few of the findings:


- Nearly 50,000 renter households live in substandard housing or are cost burdened.
- Another 1806 elderly renters live in substandard housing or are cost burdened.
- Among homeowners 54,335 live in substandard housing or are cost burdened.
- Over 19,000 extremely low-income persons with disabilities are estimated to have a housing problem.

The housing study indicates that total investment needed may exceed \$3 billion.

This figure should not discourage policy makers from taking action. Note that these numbers, include both public and private capital. Public funds can leverage significant private resources. Depending on the type of program and leverage, significant amounts of resources can be marshaled over a number of years to appreciably impact the identified need.

The Task Force reviewed and considered the 42 committee recommendations and agreed upon 10 Task Force Priority Recommendations. Following are the recommendation statements given priority by the full Task Force, listed in priority order.





Recommendation 1: State Housing Trust Fund

Create a State Housing Trust Fund. To maximize effectiveness, reduce overlap, standardize paperwork, and increase accountability, all state funding for housing should flow through a single State Housing Trust Fund. The Trust Fund should be legally established such that when loans are repaid and interest earned, they are deposited in the fund to be re-circulated. The Fund should be staffed and administered by a single state department that coordinates housing and community development programs of the Iowa Finance Authority, Department of Economic Development, Department of Human Services and Department of Elder Affairs. These agencies will not charge the Fund for salaries or overhead.

The Fund should be held separate from federal funds so as not to attach federal requirements for serving only low-income persons. The primary strategy for use of the funds would be to leverage private and governmental financing. Generally, monies in the fund should be available for housing and community development, home ownership and rental, and income-restricted and market-rate in “stagnant” housing markets.

Problem Statement:

- Too little funding is available to assist low-income persons, persons with special needs, and to spark development in non-metropolitan areas.
- Currently, nearly all the direct financing for housing available through the state originates as federal funds and thus have federally-mandated income restrictions.
- A dedicated revenue stream is far superior to consecutive annual appropriations because it facilitates leverage, including issuance of bonds and multi-year commitments to local housing trust funds.
- Additional financing sources are available through USDA, FHA, and private sources, but not accessed because the state programs do not have the flexibility to leverage them.

- Current state tax incentives are too limited to be really effective in motivating the private sector to invest in rehabilitation of existing buildings or stagnant housing markets.
- Tax Increment Financing is a tool used differently in the city vs. small towns. Let the cities and counties determine how it is used.



Recommendation 2: Single Agency Administration

Consolidate the administration of all state-funded housing programs within one state agency.

Problem Statement:

Limited housing resources should be used more effectively and efficiently. At present, there are two state agencies that administer the bulk of the state's housing resources. These two agencies are the Iowa Department of Economic Development (IDED) and the Iowa Finance Authority (IFA). A consolidation of housing resources under one of these agencies (or a new agency) would allow for the following:

- A singular "vision" of housing needs and goals.
- Coordinated use of available housing resources.
- Streamlined application process.
- Consistent project administration.

There should not be any increased cost to taxpayers to implement this recommendation; in fact, the administrative costs for implementing housing programs may decrease. Also benefiting are the numerous applicants for housing projects, as a streamlined process for requesting funds and project monitoring will be contained within one agency.

Barriers to implementing this recommendation include resistance to change. This could include such things as bureaucratic and inter-agency "turf" battles. If this recommendation is not implemented the status quo of a disjointed housing effort and duplicative administration of programs will continue.

Recommendation 3: Housing Public Education and Information

Iowa must develop a comprehensive public education and information effort that emphasizes the necessity and positive benefits of affordable and safe housing, promotes community involvement and awareness in housing policy and initiatives, and gives attention to critical health and safety issues in housing construction, renovation, and maintenance.

Problem Statement:

For a number of years there have been considerable discussions about the “housing needs” throughout the state of Iowa. As a result, there have been a variety of efforts by public, private, and non-profit organizations to address the needs. For the most part, there has not been a comprehensive statewide strategy. As a result of the Governor’s directive, the Iowa Finance Authority initiated a public/private citizen Task Force to develop a strategy.

In order to be successful in the implementation of the Task Force’s policy strategy, the public needs to be engaged and involved to promote health and safety, new construction, renovation, rental, and special needs housing. Historically, much of the information was driven by key agencies and organizations, and the public was not involved in the discussion to address Iowa’s housing issues. Involving the public in all types of housing issues is critical. One example is the need to address the rate of lead poisoning in Iowa that is three times the national average.

Recommendation 4: Accessibility Standards

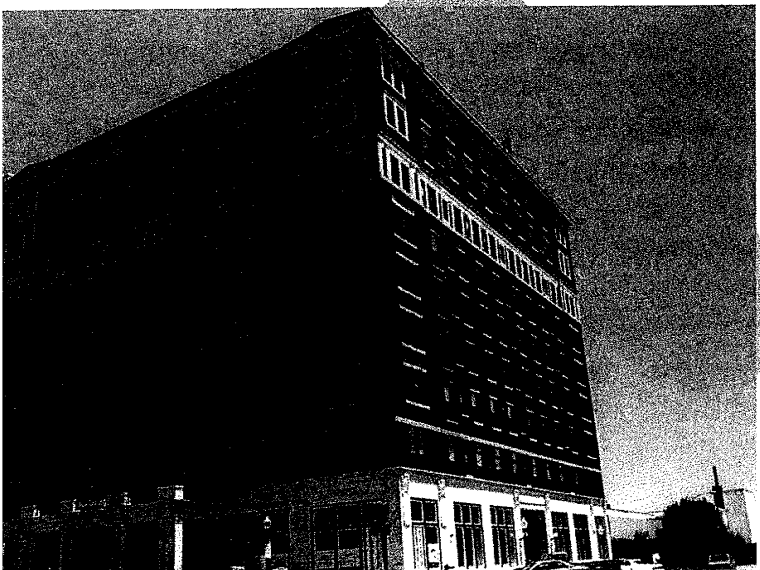
The State of Iowa shall adopt the accessibility standards of the federal Fair Housing Act (FHA) of 1988 and the federal Americans with Disabilities Act (ADA) of 1990.

Problem Statement:

The Special Needs Committee has discovered the only current method of enforcing the accessibility requirements of the FHA and the ADA is through reactive administrative complaints or lawsuits filed against developers, architects, and government building inspectors.

It has been shown that many new multi-family dwellings in the state are not being designed and constructed in compliance with the state or federal accessibility standards. Building code inspectors who review construction plans and specifications for multi-family housing are generally looking only for compliance with building ordinances, and not for the compliance with FHA guidelines. Of the 900 Iowa communities that responded to a 1999 Community Survey by the Iowa Civil Rights Commission, 600 indicated that they did not review the new construction building plans for multifamily housing units to determine whether the units are accessible to persons with disabilities.

Likewise, architects and builders have the mistaken impression that since cities approve



their plans and issue building permits, all relevant requirements for accessibility have been met. It is also well recognized that the vast differences between municipal building codes in Iowa causes an enormous amount of confusion with architects and builders, and in the long run, accessibility becomes nearly nonexistent.

The general consensus is that the FHA accessibility standards are not seriously heeded by state building code officials or local building inspectors. It appears that both of those government authorities tend to view accessibility mandates as negligible construction specifications. Likewise, the potpourri of local building codes around Iowa lends to noncompliance with the FHA accessibility requirements.

Although the Iowa Civil Rights Act is ready to impose the same accessibility mandates as the federal FHA, generally no state or local civil rights agency officially review construction plans, or conduct on-site inspections for compliance with this law. However, it should be noted that after an apartment building is designed and constructed in non-compliance with accessibility standards, civil rights agencies can prosecute fair housing complaints against the architects and builders involved.

Finally, there is currently a gross lack of funding at the state fire marshal's office to oversee, monitor, and enforce this recommendation and/or existing accessibility laws.

Recommendation 5: Smart Growth Land Use Inventory

Under the direction of the appropriate supervisory body, conduct a systematic digital land use inventory of all land usage in the state of Iowa, with such detail as the multi-discipline supervisory body (representing all levels of state and local government and the private sector) determines.

Problem Statement:

More populous states and growing metropolitan areas are experiencing growth into areas that were long agricultural, wilderness, and otherwise lightly-populated. Many adverse factors are attributed to this type of growth. With respect to land use in Iowa, it has been estimated that every seven years an area approximately equal to the area of one Iowa county is converted to residential, transportation, commercial, industrial or similar uses. The data supporting the estimated conversion of agricultural/open space are difficult to obtain and an in-depth analysis of Iowa land usage is necessary to establish the new millennium benchmark and to measure future changes in land use.

Despite the importance of agriculture to the health and vitality of Iowa, and to the economic well-being of all of its citizens, recent judicial decisions have undermined potentially useful tools to protect agriculture from





encroachment. Continued conflict between the agricultural producers of the state and encroaching residential uses is to be expected. Forms of government lack cohesive, detailed data and information to identify appropriate areas of the state to target preservation for agricultural production through alternative incentives and the appropriate balancing of state laws.

Recommendation 6: Housing Consumer Education

Housing Education Program – Expand and aggressively market programs that result in better- e d u c a t e d housing consumers, including outreach and education to immigrants and minorities. Components include:

- Home ownership education
- Renter education
- Financial literacy
- Predatory lending

Problem statement:

Iowans and new Iowans lack knowledge both in financial areas and in home ownership. Many persons are not knowledgeable about their housing options, available programs, their ability to buy a home, and what is needed to purchase a home. Reports from IFA show very few minorities use IFA programs to purchase homes. Problems of culture and language differences make the transition to home ownership even harder. Minority and low- to moderate-income homeowners are often the first targets for predatory lending. Lack of personal financial knowledge also contributes to an increase in predatory lending and financial stress.

Recommendation 7: Reduce Barriers to Affordable Housing

The State of Iowa shall reduce barriers to affordable housing by:

1. Prohibiting discrimination based on the use of rental vouchers under the Section 8 program.
2. Requiring good cause for termination in manufactured home parks.
3. Creating a deposit assistance program.
4. Eliminating the option for nearby property owners to force a “supermajority” vote of a city council when rezoning is needed for a housing project.
5. Creating a risk reduction program to assist certain low and moderate income tenants.
6. Facilitating the production of units for persons with disabilities.
7. Establishing consistent and appropriate procedures for the property tax valuation of affordable housing.

Numerous barriers exist throughout the state which impede the development, rehabilitation, and occupancy of affordable housing. These challenges need to be addressed by the state and assistance given to overcome the impediments.

Recommendation 8: Eliminate Barriers Facing New Immigrants

The State of Iowa has to reduce the barriers that new immigrants face in order for them to access quality, affordable housing.

Problem Statement:

As seen throughout the state, immigrants are often hired for lower-paid jobs and have occupied the poorest housing available. From rental to emergency shelter, immigrants have faced several barriers to affordable and safe housing. Service providers that work directly with this population have experienced these same problems.

The most common barriers important to this population are:

- Lack of affordable decent housing.
- Linguistic and cultural barriers.
- Discrimination.
- Lack of credit history.
- Lack of housing for families composed of many members.

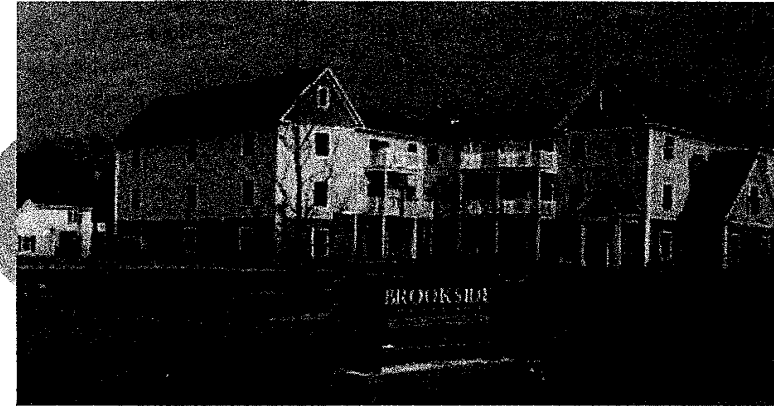
Because immigration is a strong and key labor force that brings economic growth, the State of Iowa needs to welcome these new residents by improving housing services. The number of immigrants is increasing, but many eventually move from Iowa because they cannot find decent, affordable housing.

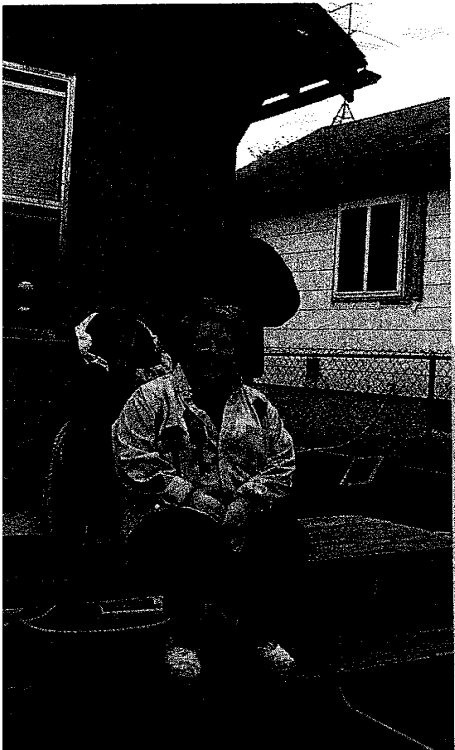
Recommendation 9: Property Tax Rollback for New Construction

Newly constructed or substantially rehabilitated multifamily housing in enterprise zones and main street communities will qualify for the state residential rollback on property taxes.

Problem Statement:

The Governor, certain legislators, and others in the state have expressed great interest in attracting young professionals to live in Iowa. The housing needs of this demographic are for apartment or condo living. Predominately, this demographic is interested in “urban





housing” as is evidenced by the rapid and successful growth of downtown housing in surrounding cities such as Kansas City, Omaha, and Minneapolis.

The problem is that the development cost of a market rate multi-family development is greater than its economic value. In Iowa, the gap between economic value and development cost for market rate multi-family properties is between \$30,000 and \$45,000 per unit. If Iowa seeks market-rate young professional housing, Iowa must develop state initiatives to close the gap.

State policy and programs (except for subsidized housing) are almost exclusively reserved for single-family homeowners. Property taxes in Iowa for residential property have a rollback percentage tied to them, thereby allowing the owner to pay less tax by reducing the taxable value. For-profit residential rental properties are classified differently than non-profit residential rental. For-profit owners carry a larger tax burden. Reducing the tax burden on for-profit residential housing would help close the gap.

Recommendation 10: Incentives for Housing

The state has recently put in place a series of incentives for housing and infill development that are potentially very good, but it is time to review, revise, and/or expand them for maximum effectiveness. These incentives include:

- State Historic Tax Credit — The current annual cap of \$2.5 million only partially funded three projects this year. It should be removed or at least increased to a minimum of \$20 million per year for five years.
- Housing Enterprise Zone Credits for Employers and the sales tax rebate — The employer credit is too small to be effective.
- State Low Income Housing Tax Credit needs to be transferable to allow an active market to be developed. This will cost the state no more, but put the financial benefit with the developer rather than the investor.
- Tax Increment Financing – Cities use TIF differently than small towns. Let the cities and counties determine how TIF is used for commercial or residential development and determine how much they want set aside for low and moderate income categories.

Committee Recommendations

The Governor's Housing Task Force considered each recommendation brought forward by the five committees. The Task Force recognizes the importance of every recommendation developed during the process, and selected recommendations for action that were highest priority and had the highest potential for implementation. Space constraints of the Executive Summary precludes inclusion of all recommendations. Following is a list of the topics of all recommendations developed and submitted by the committees, listed by committee in priority order.

These recommendations may be found in detail in the complete *Comprehensive Housing Strategy for Iowa* report or on-line at www.ifahome.com.

Environment and Technology Committee

- ET – 1 Smart Growth and Land Use Inventory *
- ET – 2 RISE Funding Guidelines *
- ET – 3 Public Information Campaign *
- ET – 4 Historic Properties Tax Credit **
- ET – 5 Brownfield Redevelopment Strategy
- ET – 6 Residential Development Code Review and Best Practices

Home Ownership Committee

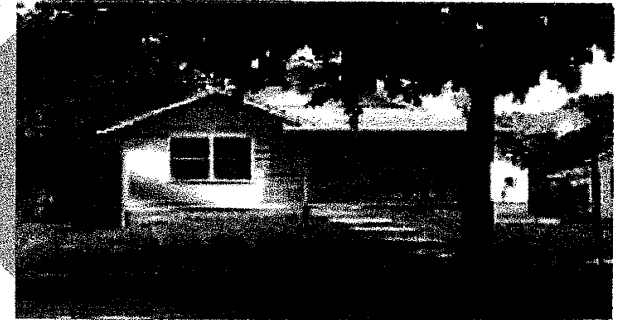
- HO – 1 State Housing Fund/Delivery of Housing Resources *
- HO – 2 Housing Opportunity Fund *
- HO – 3 Increase Mortgage Revenue Bond Cap **
- HO – 4 Housing Consumer Education *
- HO – 5 Comprehensive Housing Information Network
- HO – 6 Further Study of Significant Issues

Quality of Life Committee

- QL – 1 Allocation of Resources *
- QL – 2 Title Guaranty Reorganization *
- QL – 3 Property Tax Rollback for New Construction *
- QL – 4 Housing Agency Clearinghouse Within Iowa Finance Authority
- QL – 5 Create Housing Trust Fund **

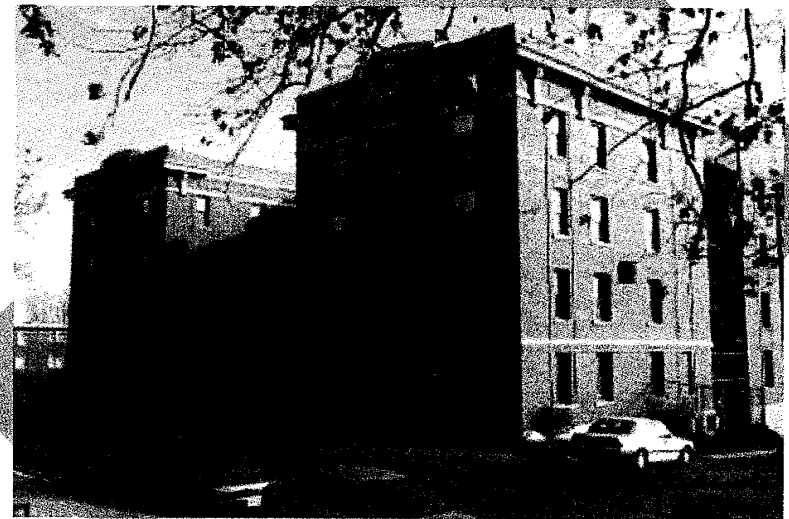


- QL – 6 New Teacher Downpayment Initiative
- QL – 7 New Teacher Retention Initiative
- QL – 8 Rural Quality of Life Innovations
- QL – 9 Community Investment Tax Credits for Towns Under 15,000 Population *
- QL – 10 Eliminate or Increase Bond Cap **
- QL – 11 Shaping Urban and Rural Financial Services Policies
- QL – 12 Administrative Rules and Policy Audit
- QL – 13 Adopt Livable Wage Policy



Rental Committee

- R – 1 Establish New Funding Resources *
- R – 2 Education on Benefits of Affordable Housing *
- R – 3 Reduce Barriers to Affordable Housing *
- R – 4 Maximizing Resources **
- R – 5 One Administrative Structure for Housing Programs **
- R – 6 Supportive Services
- R – 7 Opt Outs and Expiring Section 8 Contracts



Special Needs Committee

- SN – 1 Single Agency Administration *
- SN – 2 Accessibility Standards *
- SN – 3 Eliminate Barriers Facing New Immigrants *
- SN – 4 Develop Statewide Housing Trust Fund **
- SN – 5 Increase Funding of the Emergency Assistance Program
- SN – 6 Modify Low-Income Tax Credit Program
- SN – 7 Immigrant and Minority Outreach and Education **
- SN – 8 Preserve HUD and USDA Project-Based Funding
- SN – 9 Halting Predatory Lending

* Governor’s Housing Task Force Priority Recommendation

** Committee recommendation intent is similar to Task Force Priority Recommendation that was submitted by another committee and adopted by the full Task Force

