



Affordable Housing in Iowa
Meeting New Challenges

| 2007

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Data contained in this study are from 2005

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Affordable Housing in Iowa: Meeting New Challenges

Executive Summary

Iowa faces a significant challenge over the next decade. In the words of a recent report, “The state faces the danger of worker and skill gaps that could undermine its businesses, erode the earning power of its workers, and slow its economic growth.” (Iowa Works Campaign, 2006)

Iowa's economic and demographic stability depends on attracting new immigrants and slowing the departure of residents. Eroding housing affordability and quality will make this more difficult. Housing alone cannot solve the problem, but it must be part of the solution.

This study examines trends in the state's major housing markets, analyzes the achievements of housing programs in the recent past, and incorporates input from more than 80 housing experts across the state. The second part of this study (included on the attached CD) analyzes housing's impact on the economy. We developed three major policy recommendations.

Recommendation I:

Iowa needs a statewide housing policy. Without agreement on a proactive strategy, a valuable asset—not just many local housing markets throughout the state, but more important, the families they house—will continue to trickle through our fingers. Our current approach—to do our best to spend shrinking federal resources responsibly—does not focus on the major challenges we will face by 2017. If we do not decide where to go, we cannot begin to talk about how to get there.

Recommendation II:

Stable, predictable funding and efficient use of resources are both essential for an effective housing policy. Investing in housing is a long-term strategy, and short-term fluctuations in funding undermine our progress. Iowa's developers, mortgage lenders, local governments, nonprofit agencies and families need a reliable commitment and a stable partnership to back their real estate investments. We also need to evaluate whether existing resources could be used more effectively.

Recommendation III:

Build developer capacity and streamline the development environment. Better local capacity will expand the reach of programs and ensure that resources are used more effectively. In too many communities, small-scale demand makes it uneconomical for the private for-profit and nonprofit sectors to use existing programs. In some communities, local regulatory and political barriers increase the costs of development or rehabilitation, reducing financial feasibility and requiring more subsidies. When only a few developers compete for specialized programs, some types of worthwhile projects may be neglected.

This Report's Specific Findings Focused on Two Main Questions:

- How have Iowa's housing markets changed between 2000 and 2005?
- How effectively have state and federal programs responded to these changing needs?

Participants in a series of housing forums in early 2007 identified the major gaps in current programs, the major challenges Iowa will face in the next decade, and discussed ways we could meet those challenges.

Iowa's Housing Markets

- Most housing markets slackened as housing growth outstripped population growth.
- A few metropolitan areas saw robust growth, but much of this growth occurred in fringe rather than central counties.
- Iowa's population became more diverse, and future homeownership demand will likely grow fastest among racial and ethnic minorities.
- Housing prices grew much faster than family incomes, suggesting that the affordability gap will be a continuing concern, especially if the state is to continue to attract new immigrants.
- Affordability problems did not worsen significantly, but this may reflect widening income disparities rather than increasing affordability.
- There were encouraging signs that efforts to eliminate lead hazards may be paying off in the decline in the percent of children testing positive for lead poisoning.

Current Housing Policy

- Current levels of subsidy, especially for renter households, are inadequate to the volume of need. At our current pace, it would take 20 years to address homeowners' housing needs, and 64 years to address renters' housing needs.
- Renters need housing assistance most in the rapidly growing metropolitan and fringe communities they work in, but much of our subsidized housing stock is elsewhere.
- Preserving the existing subsidized rental stock will require careful choices about where we should focus our efforts.
- Home buyer assistance is targeted to households not communities, but first-time buyers may not be able to use assistance as easily in a few high-cost markets.
- Home rehabilitation assistance is well-targeted to older communities, but future assistance may need to consider the concentration of sub-prime home improvement loans in some places.

Housing Forum Findings

- Funding levels are shrinking, further reducing our ability to meet needs.
- Unstable and unpredictable funding makes it difficult to develop and sustain our capacity to address housing needs.
- Without clearly articulated and/or agreed-upon housing goals, we cannot expect to distribute resources effectively.

- Complex and uncoordinated programs that few understand do not use resources effectively.
- We need to develop stronger partnerships with employers, local governments, and related interests such as transportation, environmental preservation, health, education and economic development.
- Stabilizing homeownership, especially among newer owners, is essential to avert projected increases in mortgage foreclosures, especially among sub-prime borrowers. If foreclosures are concentrated in the same communities sub-prime loans are concentrated in, there could be damaging longer-term effects.
- Housing the working poor, people with disabilities and those facing homelessness will require much deeper subsidies than are available now.
- Developing more sustainable homes may avert future preservation crises. Energy-efficient construction has higher capital costs but lower life-cycle costs; universal design can avoid costly future retrofitting.
- Countering the negative image of affordable housing in some communities will be essential to streamline the development process, avoid unnecessary urban sprawl and ensure the labor force has homes available in the communities in which they work.





Section One:

Iowa's Changing Population, Economy and Housing Stock

Section One

As people age, migrate and form new kinds of households, their housing needs change. Their ability to pay for the housing they need also changes, as their incomes and housing costs fluctuate. Housing costs change depending not only on effective demand, but also on the pace of construction or conversion, and on the price of components such as financing and energy. Because housing is such an important driver of local economies, and is such an important basic need, governments intervene in several ways to ensure that markets work as efficiently and equitably as possible. But for intervention to be effective, we need to understand current trends and evaluate regularly how well our strategies are working.

This study aims to inform these tasks. The study has two parts: The first focuses on housing needs and housing policy, while the second part investigates the economic and social impacts of housing subsidies. We address two broad questions in this report:

- How have Iowa's housing markets changed between 2000 and 2005?
- How effectively have state and federal programs responded to these changing needs?

In the conclusion, we present a series of recommendations for strengthening housing development policy in Iowa. These conclusions are based on a series of discussion forums attended by housing experts from around Iowa, as well as on the study findings.

The second volume of this study assesses the economic and social impacts of housing programs.

Data Sources

Our conclusions are based on a wide range of data, but our primary data source, the 2005 American Community Survey (ACS), is available only for counties (and places) with 65,000 people or more. When available, we also use data from County Assessors' offices and the Home Mortgage Disclosure Act, which cover at least some trends in smaller counties. Thus, although we are able to draw some conclusions about housing conditions in all of Iowa's 99 counties, there are some questions we can only answer for the nine major metropolitan counties covered by the 2005 ACS data. We also cannot provide the same level of spatial detail that was possible in previous assessments that used decennial census data. ACS data is not yet reported for census tracts; it is drawn from a much smaller sample than decennial data, so even the data we have available for counties and the state as a whole is less precise than census data. Consequently, we report the margin of error around all ACS estimates, and we discuss which differences are statistically significant and which may be only random. Data sources and their limitations are discussed in more detail in Appendix A. Another important source of data was the forums we held with participants from around the state.

CHART 1.1:
Population Change, 2000-2005
By State

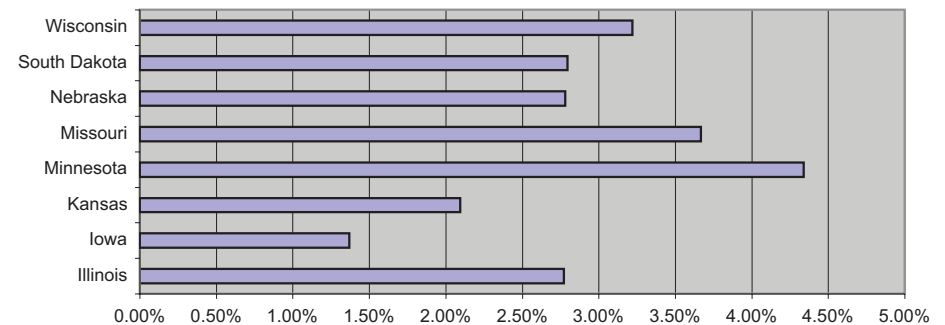
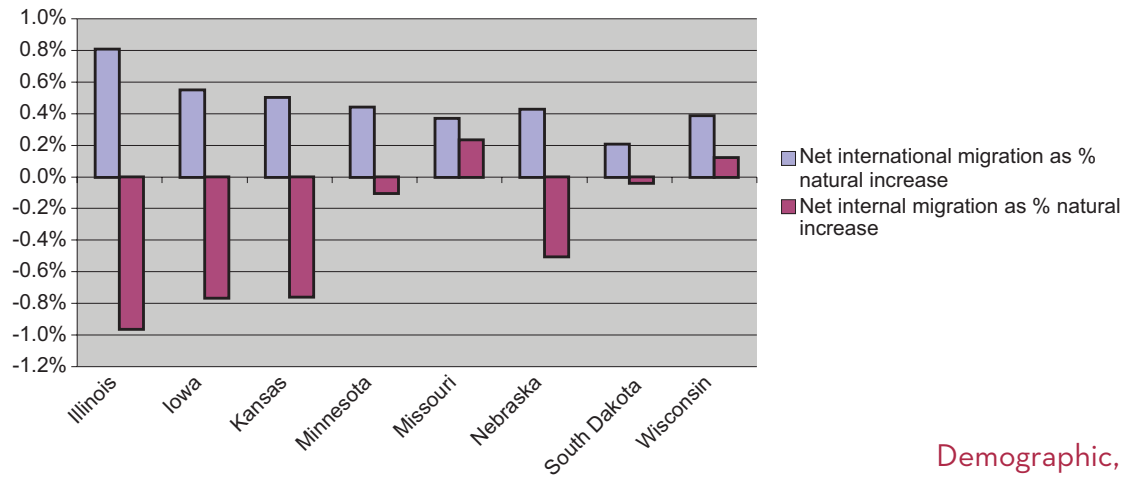


CHART 1.2:

Source of Population Change, 2000-2005
By State



Demographic, Economic and Housing Market Trends are Linked.

This Section Investigates the Following Questions:

- How has Iowa's population and economic prosperity changed between 2000 and 2005?
- Where has Iowa's housing stock grown?
- What's happened to homeownership, housing values and rents?
- What's happened to housing affordability and quality?

Iowa's Changing Population

Iowa grew more slowly than the nation and than its neighbors; from 2000–2005, Census estimates place it as the eighth-slowest-growing state, at 1.36% (compared to 5.3% for the nation as a whole). If this rate of growth continues for the remainder of the decade, it will mark a slowdown from the 1990s.

Without a net gain of nearly 30,000 international immigrants, Iowa's population may not have grown at all. While international immigrants did not offset the net loss of more than 41,000 people who moved out of Iowa to elsewhere in the United States, they did help to slow the decline. Chart 1.2 shows that net international migration was more than half that of the natural increase (births minus deaths) in the state, higher than all neighboring states except Illinois.

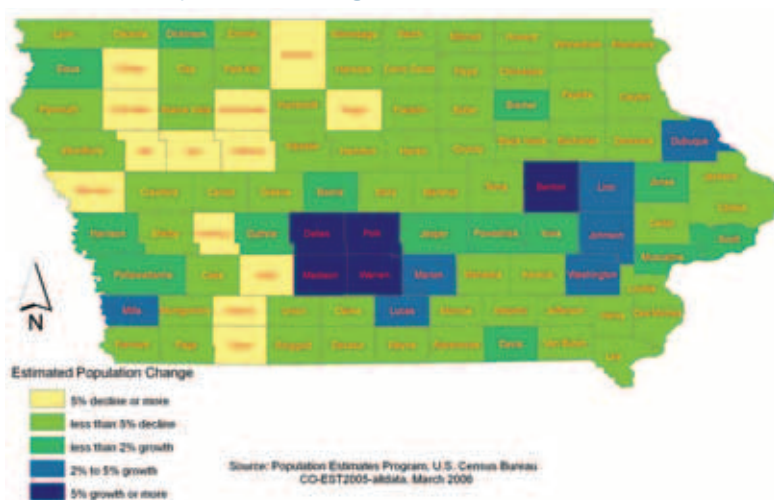
Section One

These gains were not distributed evenly, as Map 1.1 shows. Fifty-two counties lost more than 1% of their population between 2000 and 2005; only five grew by 5% or more. Growth in Dallas County (estimated at 27% of the 2000 population) far outstripped that in the rest of the state. Iowa's population continues to move to metropolitan areas, especially around two main nodes—the Des Moines metro area and east-central Iowa.

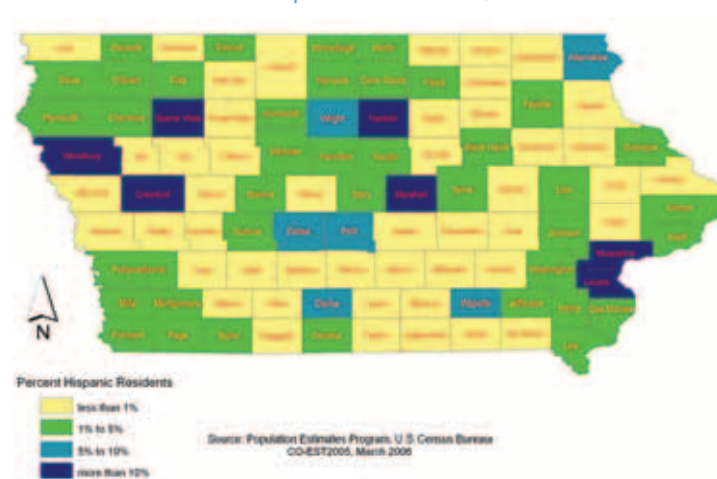
Iowa's population became more ethnically diverse. The percent of non-Hispanic African-Americans increased slightly from 2.1% to 2.23%, although this population remained concentrated in a few metropolitan areas (Waterloo-Cedar Falls and the Quad Cities). The percent of Hispanics (of any race) increased faster, from 2.8% to 3.67%. Map 1.2 shows that six nonmetropolitan counties and one metropolitan county (Woodbury) had more than 10% Hispanic residents.

Iowa has proportionately fewer children than it did in 2000, and slightly more working-age adults. The estimated proportion of elderly residents (65 and older) has remained very similar to 2000. Map 1.3 shows the estimated distribution of the elderly population in 2005.

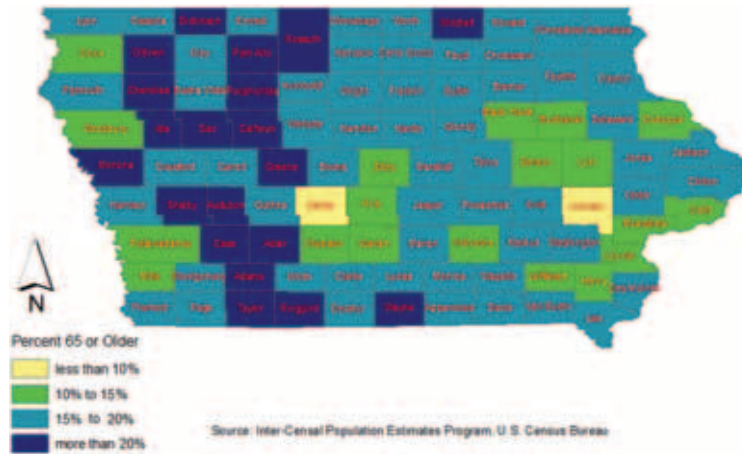
MAP 1.1:
Estimated Population Change, 2000-2005



MAP 1.2:
Estimated Percent Hispanic Residents, 2000-2005



MAP 1.3:
 Estimated Distribution of the Elderly Population, 2000-2005



Economic Prosperity

Real incomes in Iowa may have declined since 2000, as they did throughout the Midwest. The evidence for the trends discussed below is suggestive rather than conclusive, because the data are drawn from two different surveys that include slightly different populations (as Appendix A explains). Chart 1.3 on page 9 shows region-wide changes in family median incomes between 1999 (the data collected in the 2000 Census of Population and Housing) and 2005 (based on data collected in the American Community Survey, or ACS). If we convert 1999 median income estimates to 2005 dollars (using the Consumer Price Index to account for inflation), it appears that real median incomes (expressed in 2005 dollars) declined during the first half of this decade. However, Iowa's decline is proportionately smaller, at 2.3%, than declines in neighboring states.

Incomes have not declined at the same rate in all of Iowa's large counties. Incomes may have grown or remained stable in Dubuque, Pottawattamie, Scott, Story and Woodbury counties. But declines in Black Hawk, Johnson, Linn and Polk counties are likely real rather than the result of a smaller sample; even the "high" estimates for 2005 are lower than real 1999 median incomes.

But not all households are worse off. A significantly higher proportion of families reported incomes of more than \$75,000 in 2005 (33.7%), compared to 1999 (26.3%). However, the proportion of households with incomes of less than \$20,000 also increased slightly, from 11.1% to 11.9%. On average, new migrants were poorer than people who had lived in the same place for at least a year. Because younger households and renters are more likely to move, we would expect this. Attracting new migrants may be essential for Iowa's future growth, but those migrants are likely to have lower incomes than established residents, at least initially.

Poverty rates mirrored declining incomes, increasing throughout the region. Iowa's increase in individual poverty, from 8.82% in 1999 to 10.84% in 2005, was the second largest rise in the region, although most of Iowa's neighbors have higher actual poverty rates.

Trends in poverty were less clear at the county level. Chart 1.6 on page 10 shows changes in child poverty rates. Smaller sample sizes mean that we can only be confident that child poverty rates increased in two counties—Linn and Woodbury—where even the low estimates for 2005 are higher than the 1999 rates. Child poverty rates appear to have declined rather than increased in Polk County. Trends in the remaining larger counties are inconclusive; although the mid-range rates estimated by the ACS are higher than the rates estimated in the 2000 Census, these differences may be the result of the smaller sample size in 2005 rather than real trends. However, statewide increases in poverty suggest that ACS mid-range estimates may be a reasonable guide. The 2005 estimate of Iowa's homeless population supports these results; the study found that the homeless population has likely grown by at least 14% since 1999, and that families with children now make up a majority (61%) of homeless households (Iowa Policy Project, 2006).

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CHART 1.4:
Median Family Incomes, 1999-2005
By County

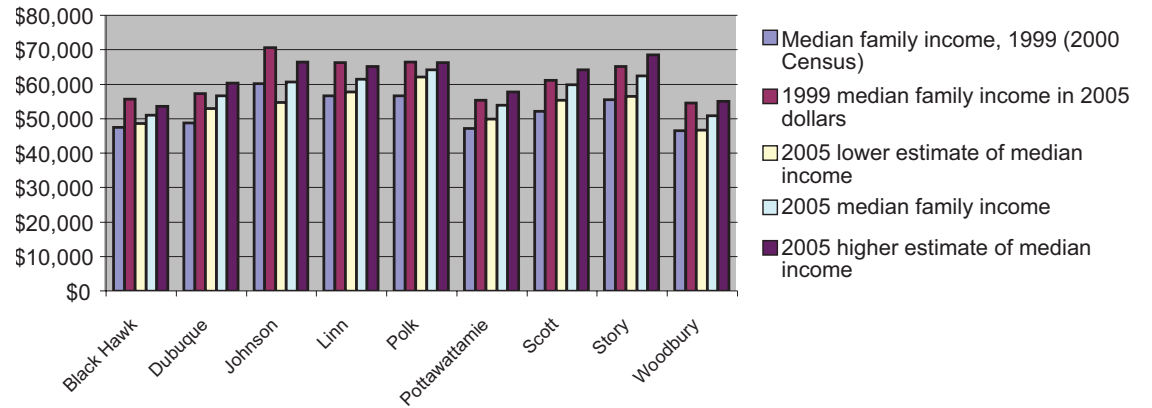


CHART 1.3:
Family Median Incomes in the Region, 1999-2005
By State

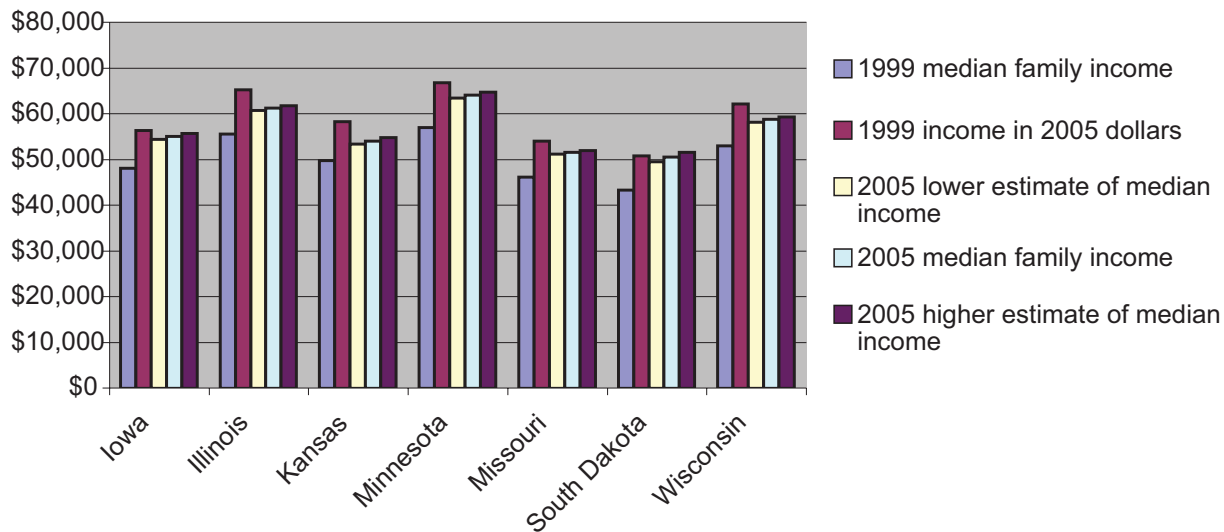


CHART 1.5:
 Change in Poverty Rates in the Region, 1999-2005
 By State

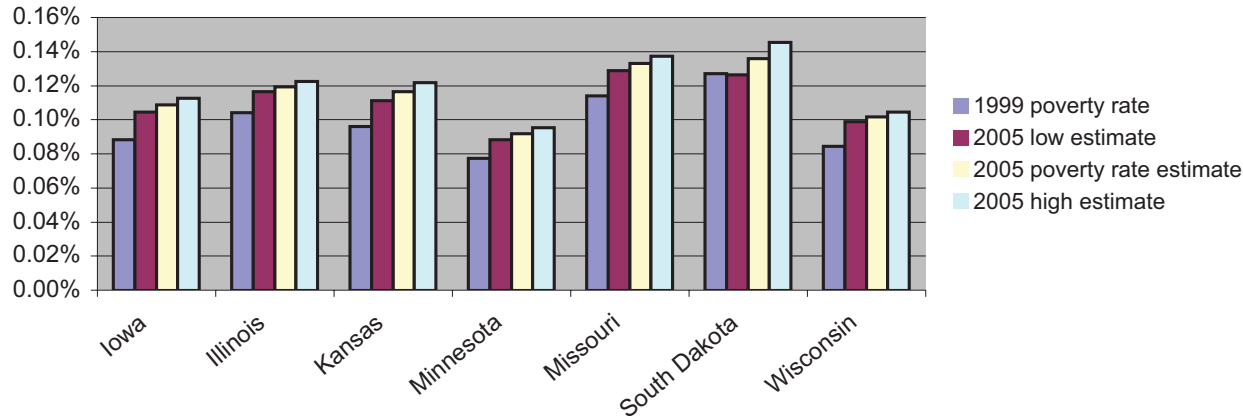
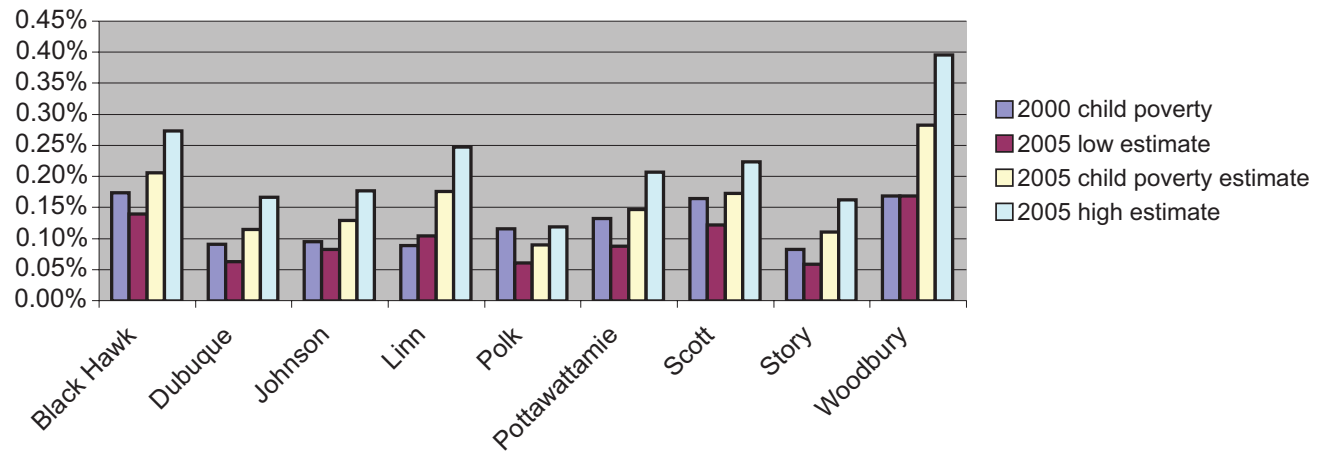


CHART 1.6:
 Change in Child Poverty Rates, 1999-2005
 By County



Section One

Iowa's Changing Housing Stock

Iowa's population grew by only 1.3% during the first half of this decade, but the Census Bureau estimates that the supply of housing grew by 6% over the same period. Estimated housing growth in Iowa far outstripped estimated population growth, and the margin was wider than in neighboring states, as Chart 1.7 shows.

Growth was concentrated in a few metropolitan counties. The Des Moines, Ames, Cedar Rapids and Iowa City metropolitan areas dominated growth over this period. Fringe suburban counties grew as fast or faster than some metropolitan counties.

Growth appears to have resulted in softer housing markets throughout the region, with 2005 vacancy rates higher than 2000 rates. Vacant units are identified in a different way in 2005 compared to 2000, so we may be seeing the results of methodological changes rather than a real shift, as Appendix A explains. Regionally, Iowa compares well with its neighbors, with the lowest vacancy rates and one of the lowest rates of increase in vacancies. Nevertheless, a statewide vacancy rate of more than 8% suggests housing growth may be too rapid to be sustained.

Johnson, Linn, Polk, Scott and Story counties appear to have significantly softer housing markets in 2005 compared to 2000. However, some of this may be a result of more seasonally vacant units. The final column for each county in Chart 1.8 adjusts for this, showing 2005 vacancy rates without including units that are vacant because of the way "residence" has been redefined. In Black Hawk, Linn and Woodbury counties, this adjustment alters estimated vacancy rates only marginally, but it has a greater effect in Dubuque, Scott and Story counties.

CHART 1.7:
Comparing Housing and Population Growth
in the Region, 2000-2005, By State

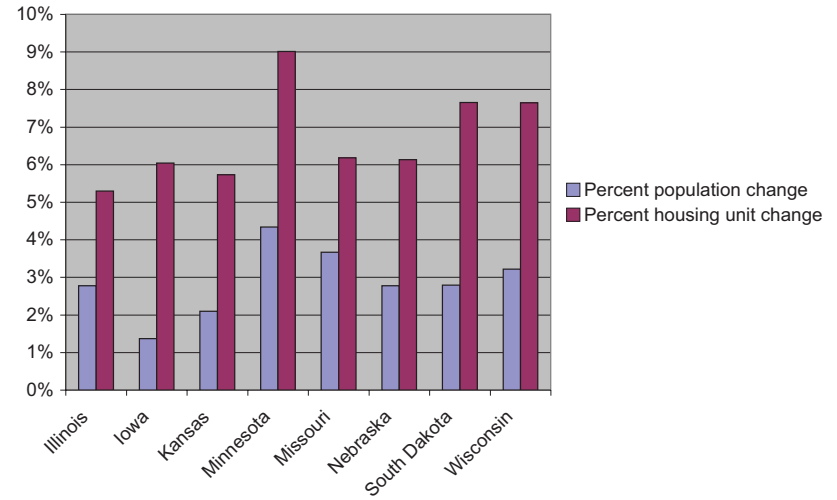


CHART 1.8:
Change in Vacancy Rates, 2000-2005
By County

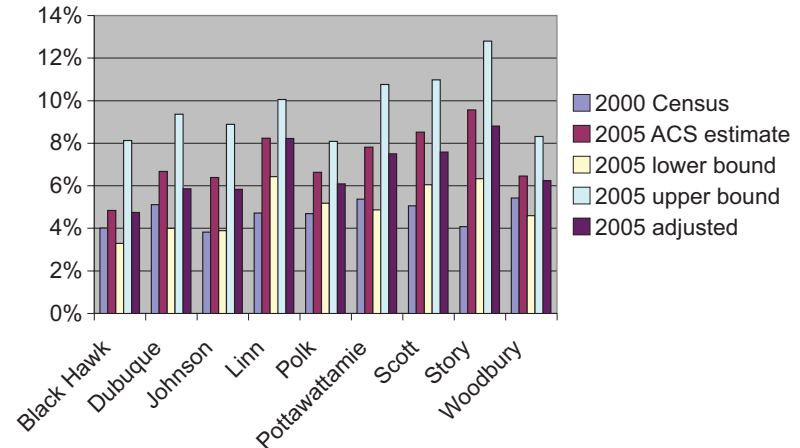


CHART 1.9:
Change in Homeownership Rate, 2000-2005
By County

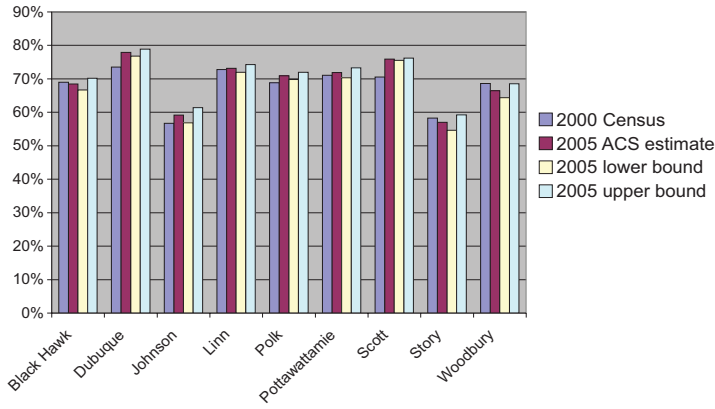
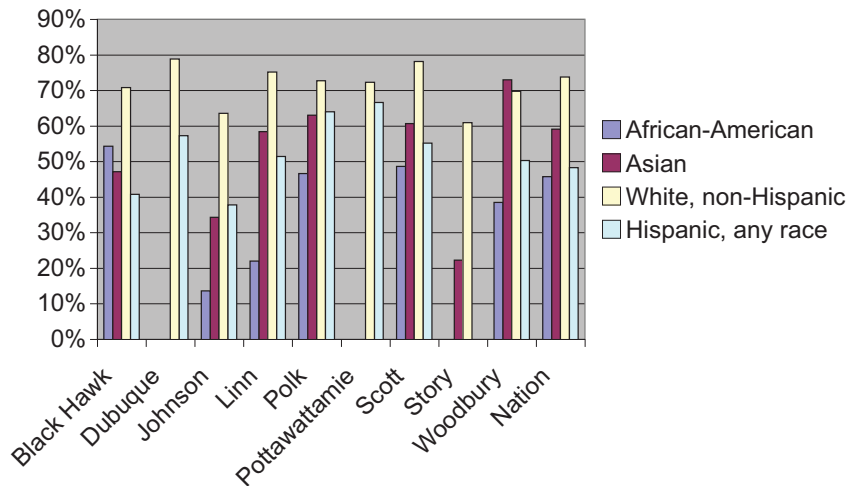


CHART 1.10:
Homeownership Rates by Race/Ethnicity, 2005
By County



Changes in Homeownership

Nationally, homeownership continued to increase, in part because of continued low loan interest rates. Homeownership rates increased slightly in Iowa, but not as fast as in neighboring states with larger metropolitan areas. Homeownership rates increased in Dubuque, Johnson, Polk and Scott counties over this period, but they may have declined in Woodbury County since 2000. Declines (which were concentrated among middle-aged households) were likely due to a combination of the movement of a substantial number of managerial jobs out of Sioux City, and the effects of different tax regimes in the Iowa portions of the metropolitan area compared to the South Dakota portion.

Homeownership rates vary widely among racial and ethnic minorities in different metropolitan areas. In Black Hawk, Polk and Scott counties, homeownership rates for African-Americans are close to or higher than rates for the nation as a whole. But ownership rates for African-Americans are much lower than the average for the nation in the remaining metropolitan areas. Asian households have ownership rates close to or above the national average in Linn, Polk, Scott and Woodbury counties.

Ownership rates among Asians are likely low in Johnson and Story counties because of the high proportion of students among that population. For Hispanic households, ownership rates are higher than the national average in all except Black Hawk and Johnson counties.

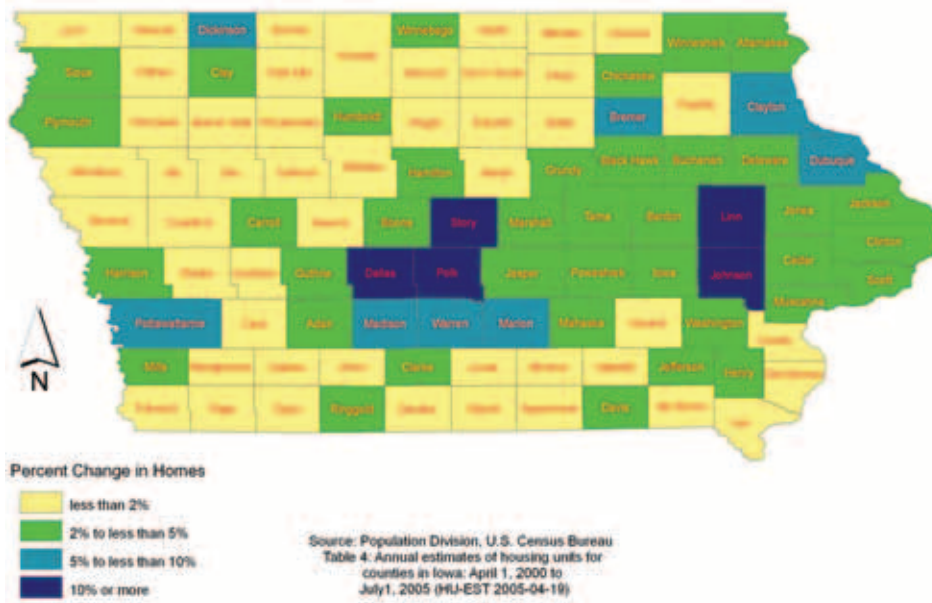
Mortgage lending patterns offer another picture of homeownership trends. Map 1.5 on page 13 shows the average incomes of households who purchased homes in 2005. Home buyers were wealthier on average in two high-cost housing markets (Johnson and Dallas counties), and in Jefferson County, which has a major educational institution that creates a unique housing market.

In the majority of counties, buyers had average incomes close to the median for the state (\$45,000 to \$60,000).

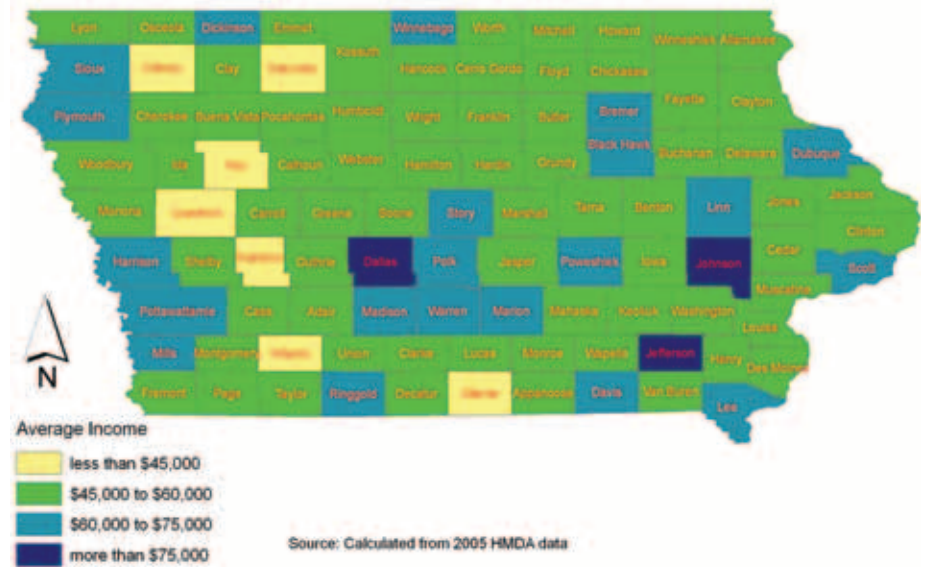
Minority borrowers (those of any ethnicity who reported their primary race as something other than white) represented a very small proportion of all buyers in most counties. Hispanic home buyers made up a larger share of the market, and accounted for a substantial share of borrowers in some counties.

Section One

MAP 1.4:
Estimated Housing Growth, 2000-2005



MAP 1.5:
Average Income of Home Buyers, 2005



Section One

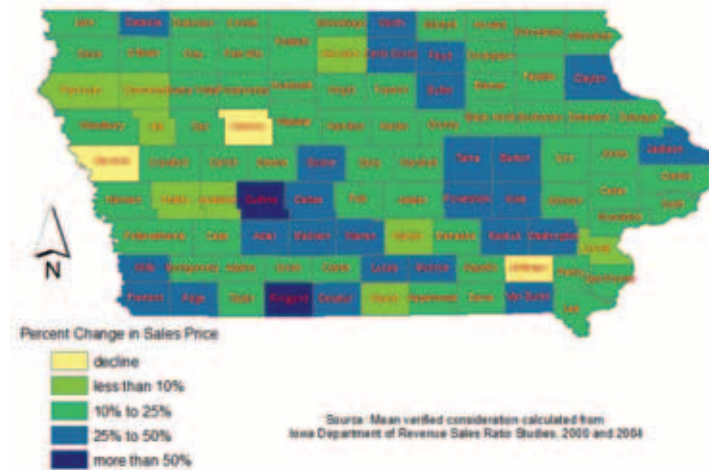
Trends in Home Prices

Map 1.7 on page 14 shows average sales prices based on verified sales reported by County Assessors. Several counties in the west and south of the state report average sales prices of less than \$60,000, well below replacement value. Even counties with sales in the \$60,000 to \$80,000 range may have difficulty attracting new construction because new homes are less likely to be appraised for what they cost to build. The problem in low-priced counties may be declining housing quality because of a “value gap,” in contrast to counties with average sales prices above \$120,000, which may face deteriorating ownership affordability because of an “affordability gap.”

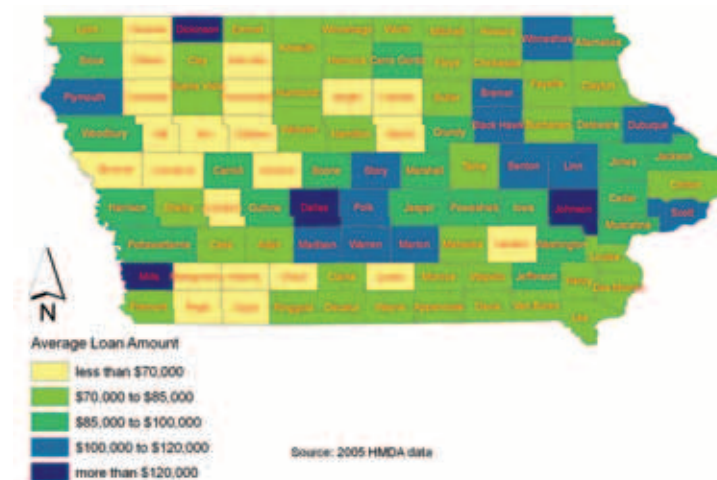
Price increases have been quite rapid (more than 25%) in some counties, mostly among those on the suburban fringe of metropolitan areas. The central metropolitan counties report sales price increases in the 10% to 25% range. A cluster of counties in the north-central and extreme southwest portions of the state have also seen substantial price rises since 2000 although, with the exception of Mills and Cerro Gordo counties, average prices in these areas remain modest compared to the rest of the state.

Data on home values from the American Community Survey is not directly comparable to sales prices because it is based on owners’ assessments of what their home is worth, rather than a record of an actual market transaction. Nevertheless, median home values can be a rough indicator of the health of housing markets. Unlike median family incomes, median home values have appreciated substantially in real terms, although Iowa’s increase of just less than 14% is moderate compared to increases of 20% to more than 40% in neighboring states with large metropolitan areas.

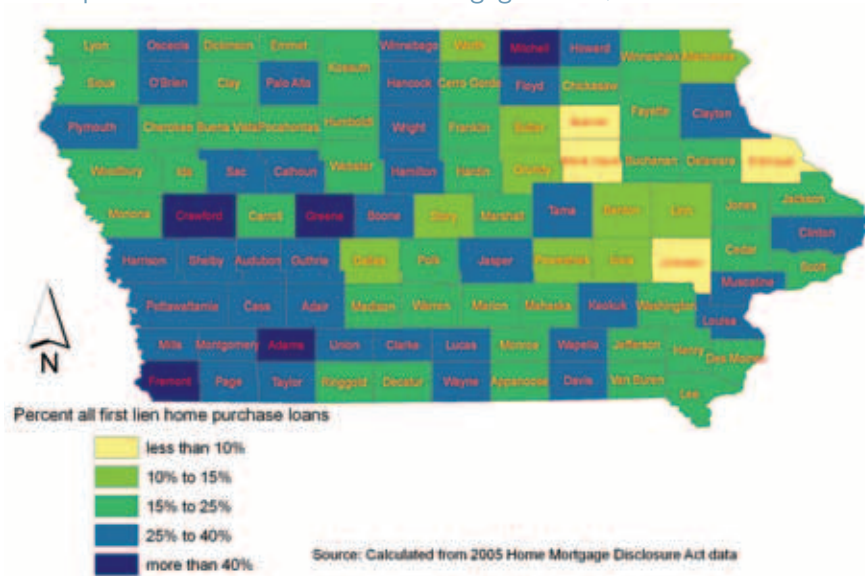
MAP 1.8:
Home Price Increases, 2000-2005



MAP 1.9:
Average Loan Size by County, 2005



MAP 1.10:
Proportion of Sub-Prime First Mortgage Loans, 2005



Black Hawk, Polk, Pottawattamie and Scott counties all saw real increases in median reported home values of more than 15% from 2000 to 2005. Woodbury County saw very little appreciation (reflecting its falling homeownership rate), and appreciation in reported values in Johnson County was lackluster at just over 5%. Appendix B provides updated estimates of the distribution of home values for all counties in the state.

Map 1.9 shows the average size of loans originated for single-family home purchases in Iowa in 2005 (from Home Mortgage Disclosure Act data). These average loan sizes are mostly consistent with the information from County Assessors' offices. Appendix B shows the distribution of loans by quartile for each county in the state.

Overall, home prices appear to have appreciated steadily while incomes have declined. But these trends have been less acute in Iowa than in some neighboring states.

A final issue that may affect the stability of homeownership is the incidence of sub-prime lending. Much of the expansion in homeownership to lower-income home buyers over the past several years has been enabled by new types of loans that accept greater levels of risk in return for higher interest rates. This is not necessarily a bad thing, but recent trends show a rising incidence of foreclosures for owners with sub-prime loans. The proportion of sub-prime, first-lien loans originated in Iowa in 2005 (17.6%) is lower than the proportion of sub-prime loans in the nation as a whole (23.6%). However, sub-prime loans (in the case of first-lien loans, those with an interest rate of more than 3% above prime rates) are concentrated in some counties, as Map 1.10 shows.

Rapidly growing counties are less likely to have high proportions of sub-prime loans, but they make up a substantial share of loans in less rapidly growing rural counties.

Trends in Rents

Rents grew at just less than the average for neighboring states (at 4.9% compared to 5.3% for the region). Real increases in Iowa were outstripped by more rapid growth (above 7%) in Illinois, Minnesota and Missouri. Although median rents grew faster than median family incomes in Iowa, as with home prices, the effect was moderate in comparison to some neighboring states.

Overall, gross rents (including utilities) increased less rapidly than reported home values or mean sales prices in most major metropolitan counties, as Chart 1.11 on page 17 shows. Once we adjust 2000 median gross rents for inflation, it appears that some counties (Dubuque, Linn, Story and Woodbury) have seen negligible increases or slight declines. Others (Black Hawk, Johnson and Scott) have seen increases above 5%. Johnson County is the only metropolitan area where rents have inflated faster than housing values, and estimated gross rents in the county are now the highest among central metropolitan counties.

Section One

Trends in Affordability

Have upward trends in prices and rents resulted in worsening affordability compared to 2000? We use a standard definition of affordability: that households paying more than 30% of their income for housing costs are cost-burdened, and may have an affordability problem. Although home prices have risen faster than incomes, the ACS estimates provide little clear support for the argument that affordability has worsened for owner households. Chart 1.12 shows that although the proportion of cost-burdened owner households may have risen in Black Hawk, Dubuque, Linn and Pottawattamie counties, these increases are not statistically significant. In the remaining major metropolitan counties, the 2005 ACS estimates that proportionately fewer households are paying more than 30% of their income for housing in 2005 compared to 2000.

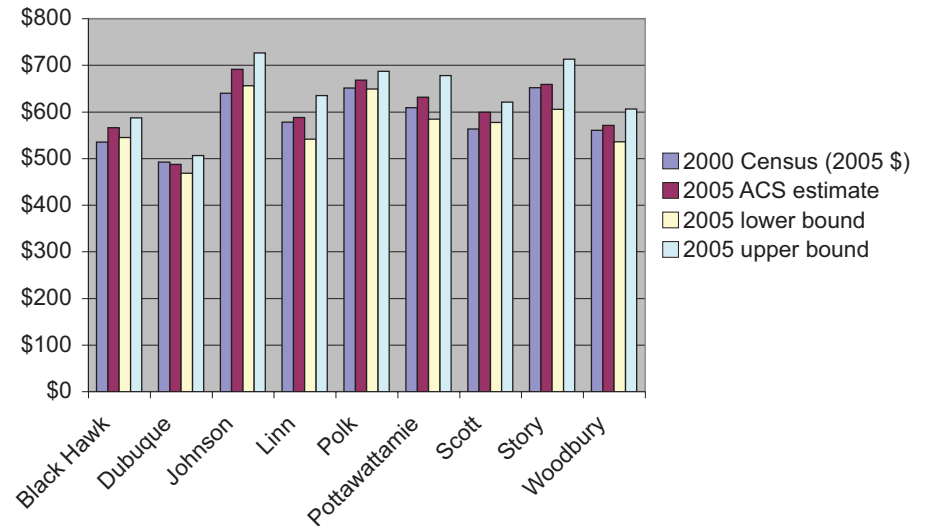
What could explain this? Mortgage interest rates¹ have decreased steadily since 2000, and this may explain part of the apparent improvement in affordability despite the widening gap between incomes and housing prices. Targeted efforts to increase homeownership may be having positive effects. However, a more important explanation may be the changes in the underlying income distribution of homeowners between 2000 and 2005. In all except Johnson County, wealthier households (earning \$75,000 or more) made up a larger share of homeowners in 2005 compared to 2000.

In fact, the proportion of cost-burdened households rose within each income category, while affordability did not worsen overall because wealthier households are less likely to be cost-burdened. For instance, for households earning incomes between \$35,000 and \$49,999 in 2005, an average of 23.1% were cost-burdened, up from an average of 15.2% in 2000. In contrast, for households earning \$75,000 or more in 2005, an average of 3.2% were cost-burdened, up from 1.7% in 2000. In 2005, because owners with incomes above \$75,000 accounted for a higher proportion of owner-occupied households (32.9% vs. 27.9% in 2000), compared to the proportion accounted for by households earning between \$35,000 and \$49,999 (16.8% vs. 18.3% in 2000), the overall percentage of households who were cost-burdened declined. However, the proportion of cost-burdened households within each income category increased over the period. What we see in Chart 1.12 then may be the effect of increasing income inequality (or a growing affluent class) rather than a decreasing gap between housing prices and incomes. Homeowner households with modest incomes paid proportionately more of those incomes for housing in 2005.

Only in Black Hawk County was a statistically higher proportion of renters cost-burdened (paying more than 30% of their income for rent) in 2005 compared to 2000. In the remaining metropolitan counties, increases in cost-burdened renters were not statistically significant.

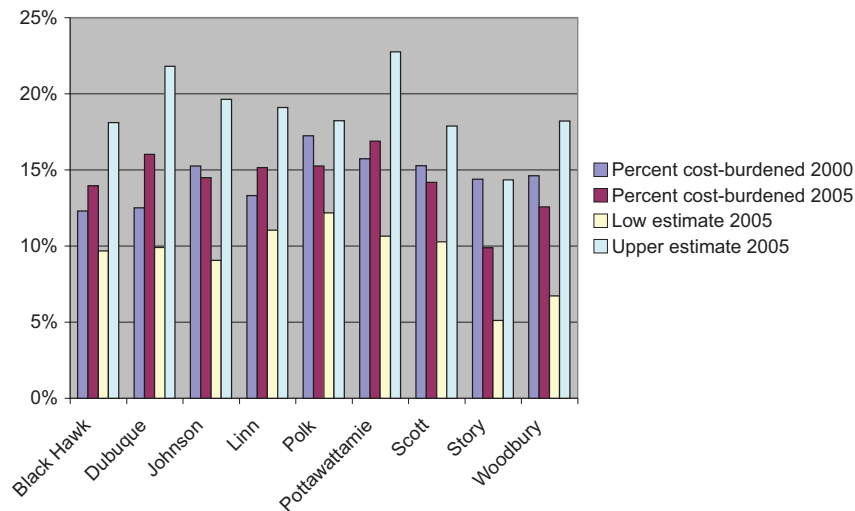
There may be similar income distribution effects with renters as with homeowners. In all except Story and Woodbury counties, higher income households (with incomes of \$50,000 or more) made up a larger share of all renter households in 2005 compared to 2000. But only a tiny proportion of renter households earning \$50,000 or more pay more than 30% of their income in rent.

CHART 1.11:
Change in Median Gross Rent, 2000-2005
By County



¹ Rates for 30-year, fixed-rate mortgages declined from 8.05% in 2000 to 5.83% in 2003, and were close to that low (at 5.87%) in 2005. Annual averages of 30-year fixed mortgage rates were obtained from http://www.freddiemac.com/pmms/docs/30yr_pmmsmnth.xls

CHART 1.12:
 Change in Owner Affordability, 2000-2005
 By County



Within each income category, affordability worsened significantly from 2000 to 2005. On average, among households earning between \$20,000 and \$34,999, 24.3% were cost-burdened in 2000, but 45.6% were cost-burdened in 2005. The situation was far worse for households earning \$20,000 or less; on average, about 70% of households in this income category were cost-burdened in 2000, but nearly 85% were burdened in 2005.

Affordability varies by age as well as income. Younger households, who are more likely to be first-time buyers, may face greater burdens than older owners, because they are more likely to have purchased a home recently, and are not yet in their peak earning years. We would expect that as households age, they may be more likely to pay off their mortgages, and their incomes would increase while their expenses decreased. For elderly owners, however, fixed incomes may mean they face rising cost burdens. Chart 1.14 on page 19 shows that in 2005, this pattern varied substantially between metro areas, even if we exclude the highly volatile estimates for owners younger than 25. The classic u-shaped curve held in Black Hawk, Linn and Polk counties, but not in Iowa's other metropolitan areas. In some places, households with residents aged 35 to 64 years assumed higher cost burdens than others (perhaps voluntarily), and elderly households were not necessarily more likely to be cost-burdened.

Among renter households, trends are a little more consistent across metro areas. Overall, younger and older households were more likely to be cost-burdened than households headed by someone between 25 and 64. Elderly renter households face unusual rent burdens in Black Hawk and Johnson counties. Young renters (a high proportion of whom are likely students) were more likely to have high cost burdens in Story and Johnson counties.

In the majority of metropolitan counties (Black Hawk, Johnson, Linn, Polk, Story and Woodbury), a higher proportion of households younger than 25 were significantly more likely to be cost-burdened in 2005 compared to 2000.

Affordability did not worsen uniformly for elderly households, however. In only Black Hawk, Johnson and Story counties were a statistically significantly higher proportion of elderly households paying more than 30% of their income in rent.

What could account for this difference? Many elderly renters live in complexes restricted to those 55 and older, and the supply of these units may be better matched to renter needs in some metropolitan areas. Elderly people may have more stable incomes than very young households, and some wealthier older households choose to rent. Although there are certainly many elderly households with limited incomes, households headed by someone under 25 are poorer on average.

The same groups experienced housing affordability problems in 2005 as in 2000, but rising rents have increased the proportion of cost-burdened households within each income group. While Iowa continues to offer more affordable housing than many neighboring states, this asset is eroding slowly.

Section One

CHART 1.13:

Percent Cost-Burdened Renters, 2000-2005
By County

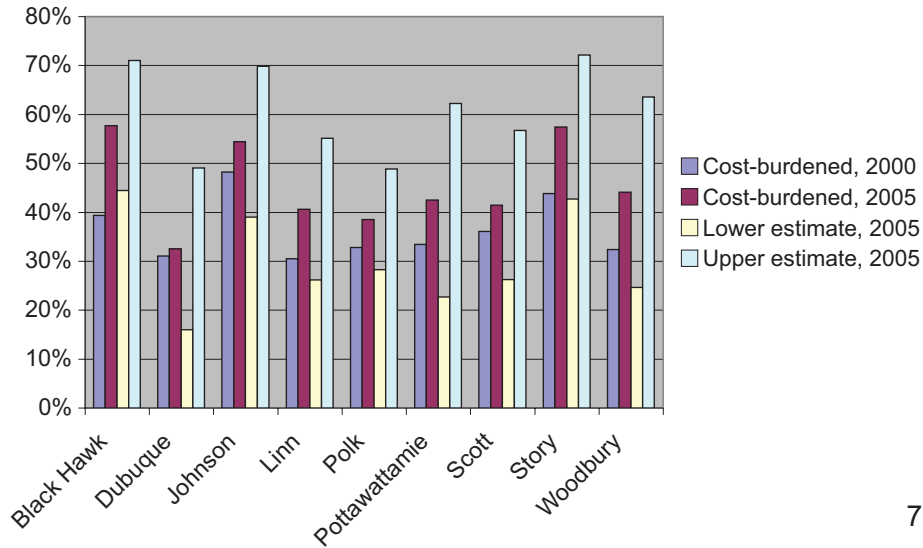


CHART 1.14:

Homeownership Affordability by Age, 2005
By County

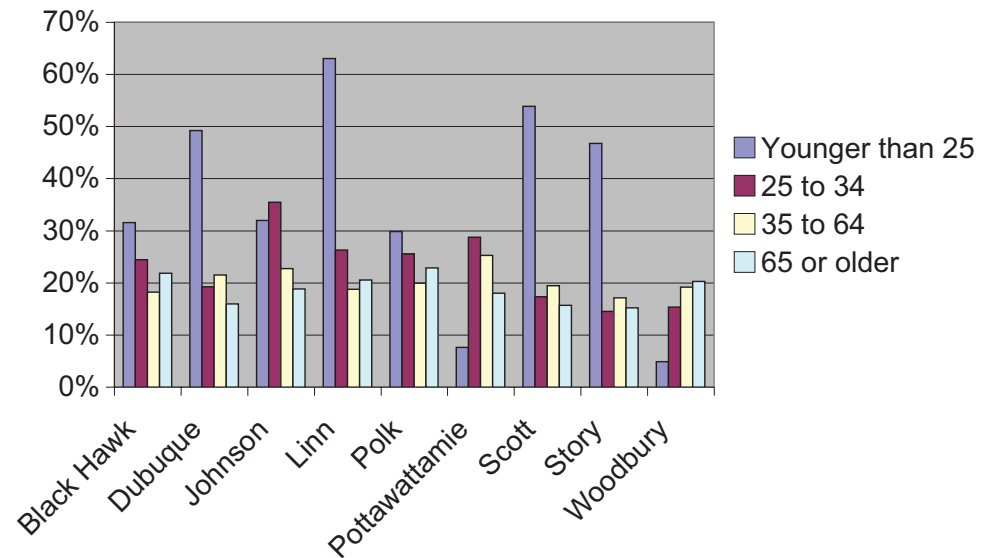


CHART 1.15:

Renter Affordability by Age, 2005
By County

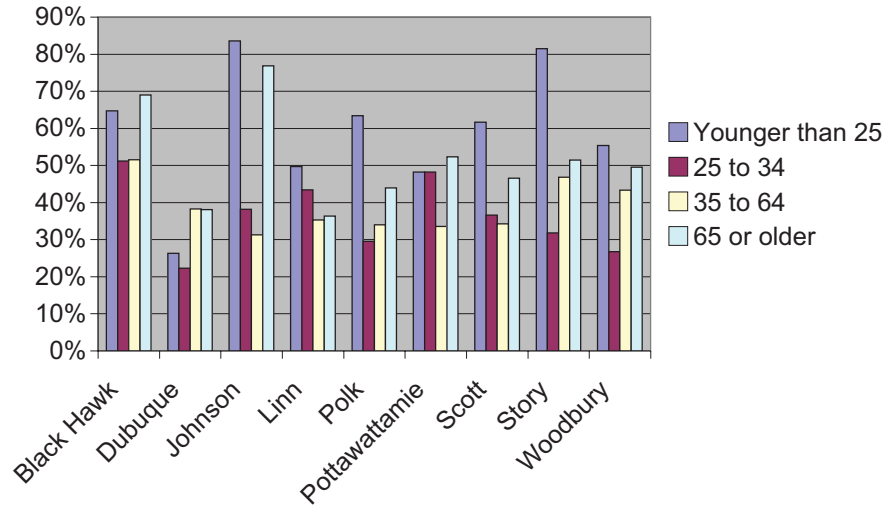
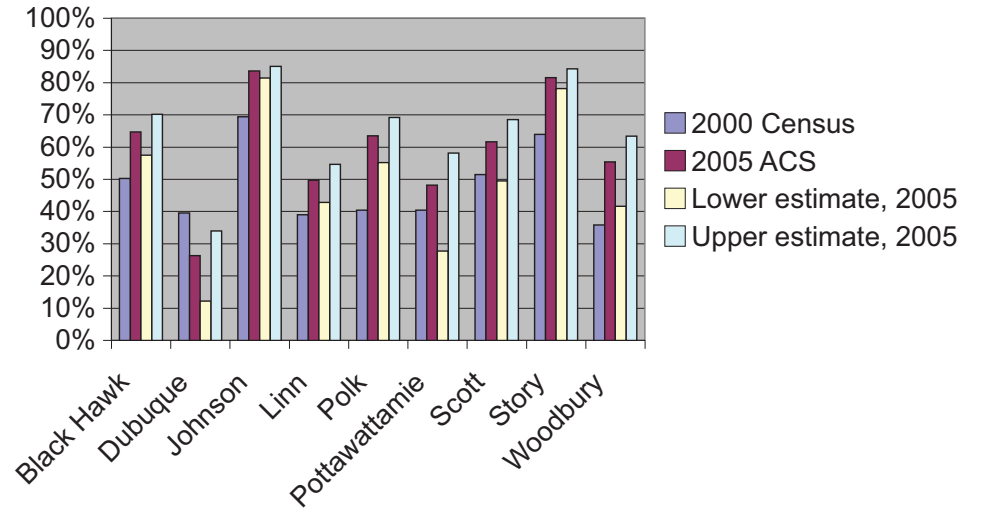


CHART 1.16:

Change in Cost-Burdened Renter Households
Younger than 25, 2000-2005, By County



Section One

Housing Quality Changes: Estimated Lead Paint Hazards

Older homes may be an asset to communities, adding to local character and offering (potentially) affordable housing to both renters and owners. But older construction methods and materials also bring environmental hazards, in particular lead-based paint. Not all homes with lead-based paint pose a health threat, but deteriorating paint surfaces can pose a severe hazard, especially threatening to young children.² While no systematic survey of the incidence of lead hazards in Iowa's housing stock has been completed to our knowledge, it is possible to estimate the proportion of existing housing that may be affected, based on national surveys.

Based on 2000 Census data, we also updated estimates statewide, for owner- and renter-occupied housing, to incorporate the new data differentiating homes with severe hazards from those with some lead paint. Map 1.11 shows the estimated proportion of the 2000 housing stock that may have lead hazards.

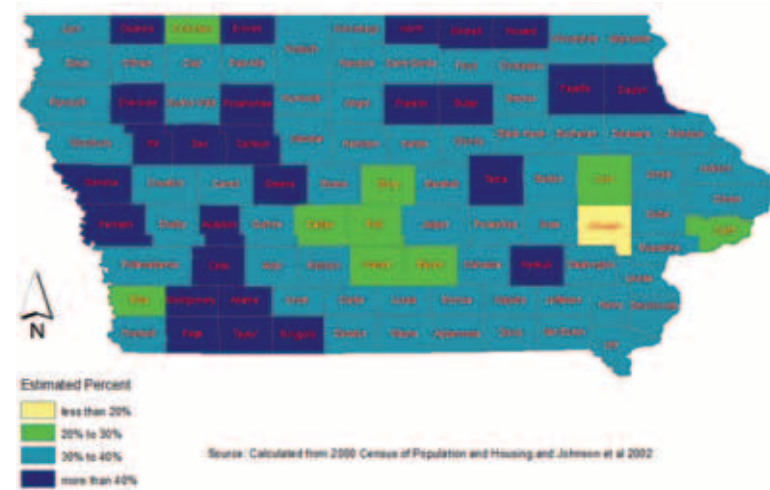
Blood lead testing is required for children younger than six years who are covered by Medicaid, and the Iowa Department of Public Health recommends it for all other children. Most of this testing is done by healthcare providers. The results of all blood lead testing must be reported to the Iowa Department of Public Health. Results are reported for each cohort of children (thus, the most recent data available is for children born in 1999). The precision of the results is affected by the sample size, which varies among counties and over time. Map 1.12 shows the percentage of children born in 1999 who tested positive for lead poisoning before their sixth birthday; superimposed on each county is the percentage of eligible children tested in that county.

A comparison of the statewide results for the 1999 cohort of children with those for the 1995 cohort suggests that the incidence of lead poisoning may have diminished over time. A larger sample of children were tested from the 1999 cohort than from the 1995 cohort (61.5% vs. 45%). Of those tested, 6.9% (1,584) of children born in 1999 tested positive, compared to 10.2% (1,689) of children born in 1995. A simple statistical test suggests³ that the proportion of children born in 1999 who have lead poisoning may indeed have diminished compared to the proportion of children born in 1995. This improvement may result from a combination of efforts, including lead paint remediation during home rehabilitation.

² Surfaces painted with lead-based paint do not always pose a health threat. Lead-based paint is a hazard if it is deteriorating or if it is on a surface that is chewable or is subject to friction or impact. Homes with lead-based paint hazards usually have high levels of lead in dust. Children become lead-poisoned when they put lead-based paint chips in their mouths or when they get lead-contaminated dust on their hands and toys and put their hands and toys in their mouths (Gergely, personal communication, November 12, 2006).

³ A difference-of-means test resulted in a probability score of 0.0202, suggesting we could be 95% confident that the percent of affected children has diminished between the two cohorts.

MAP 1.11:
Estimated Percent of Homes with Lead Hazards, 2000



MAP 1.12:
Incidents of Lead Poisoning Among Children Born in 1999

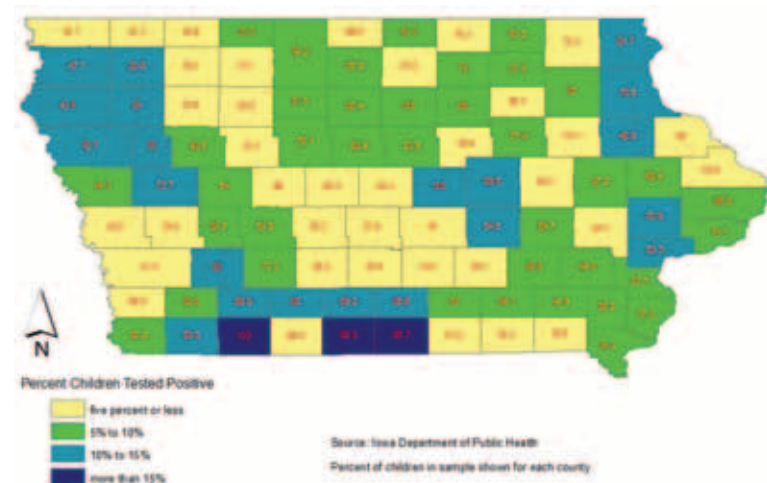


CHART 1.17:
Change in Cost-Burdened Households 65 or Older,
2000-2005, By County

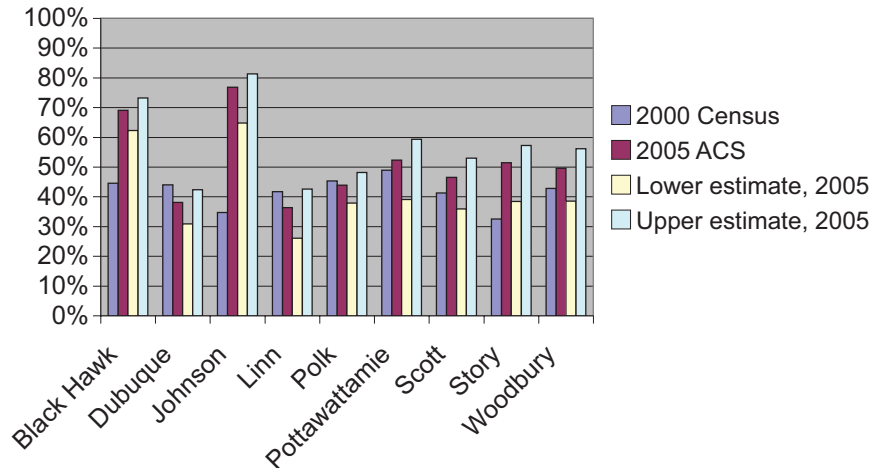
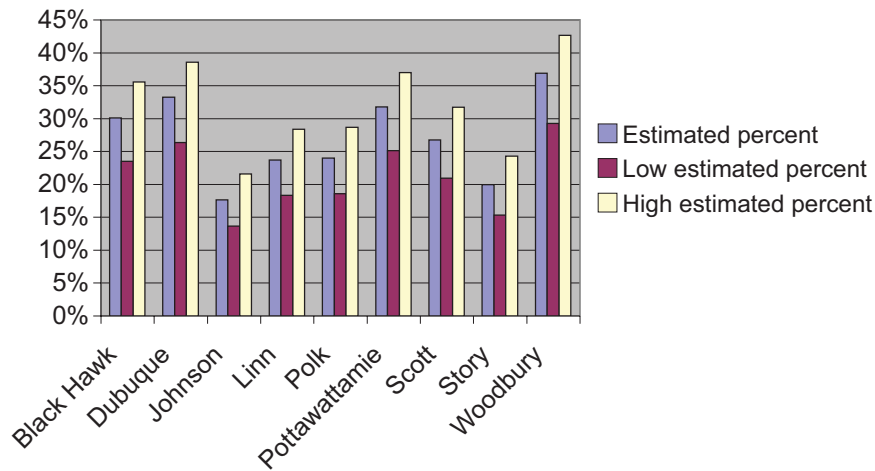


CHART 1.18:
Estimated Percent of Homes with Lead Hazards, 2005
By County



Conclusions

The trends outlined in this section suggest that during the first half of this decade:

- Most housing markets slackened as housing growth outstripped population growth;
- A few metropolitan areas saw robust growth, but much of this growth occurred in fringe rather than central counties;
- Iowa's population became more diverse, and future increases in homeownership will likely be among racial and ethnic minorities;
- Housing prices grew much faster than family incomes, suggesting that the affordability gap will be a continuing concern, especially if the state is to continue to attract new immigrants;
- Affordability problems did not worsen significantly, but this may reflect widening income disparities rather than increasing affordability;
- There were encouraging signs that efforts to eliminate lead hazards may be paying off in the decline in the percent of children testing positive for lead poisoning.

Housing markets in Iowa appear to work well for most people. Homeownership rates are higher than most of our neighboring states, the proportion of households with affordability problems is (comparatively) low, and home values are stable. However, for a significant minority of households, ownership may still be out of reach, housing costs may represent a significant burden on income, and safe, decent quality housing may not be available at an affordable price. Some local housing markets may also be unstable, with stagnant prices too low to justify repair or replacement, rising vacancy rates and a shortage of housing attractive to young working families.



Section Two:

Meeting Housing Needs



Section Two

Although housing markets work well for most Iowans, there are gaps (or failures) for those with lower incomes. State agencies coordinate an array of federal programs that address aspects of these gaps. A State Housing Trust Fund (SHTF) funds some needs and supports several local housing trust funds. This section assesses how adequately we have been able to meet housing assistance needs in the recent past (2003–2005). We examine four questions:

- *How have we done on rental housing needs?*
- *How have we done on home buyer assistance?*
- *How have we done on home rehabilitation assistance?*
- *What are the major gaps or failures in our current array of programs?*

Chart 2.1 on page 27 offers a rough estimate of the volume of housing assistance needs for owners and renters in 2005 (based on affordability indicators), and the volume of needs we have met through new resources provided from 2003 to 2005.

Lower-income homeowners⁴ may be helped with relatively shallow subsidies—a small down-payment grant or a low-cost home improvement loan. It is more expensive to assist renters by building new apartments or providing ongoing rental assistance. At the pace we have been going during 2003 to 2005, it will take approximately 20 years to meet the current needs among low-income homeowners. However, our pace has been slower for renters; it would take about 64 years to meet current needs among cost-burdened renters.

By far, the majority of the assistance shown in Chart 2.1 came from federal sources. State contributions accounted for a tiny share of the total households assisted. The SHTF, established in 2003, has provided seed funds for several local housing trust funds, and has funded some projects directly. Using state funds has enabled new kinds of programs to emerge, such as those aimed at building developer capacity or providing a combination of capital investment and services. These purposes do not fit easily into federal spending categories. During its first two years of operation, the SHTF was funded in part by state appropriations (\$0.8 million), and in part by revenues of the Iowa Finance Authority (\$2.6 million). One of the most striking successes of the SHTF has been the \$46,949,715 raised in matching funds. This is an outstanding ratio of leverage for a small start-up program—every \$1 spent out of SHTF monies has raised \$13.72 in other funds, even though many of the programs the fund has supported (such as housing-related services) have not necessarily been direct revenue generators. Local governments also subsidize housing through tax abatements or the proceeds of tax increment financing (TIF) bonds. Because our focus in this study is on state housing policy, we do not analyze local government programs.

How Have We Done on Rental Housing Needs?

Most of Iowa's subsidized rental housing was produced during the 1960s and 1970s, decades during which the state looked quite different than it does now. Public housing, Rural Housing Services (RHS) rental housing financed through Section 515 loans, and other privately owned federally assisted housing provided large numbers of subsidized rental units during these decades. Thus, one challenge we face is the gap between current housing needs and the location of the existing subsidized stock.

Map 2.1 on page 27 shows existing subsidized rental units by county, as a percent of renter households in 2000. Several metropolitan counties have lower than average shares of subsidized units (on average, 17% of rental units in each county are subsidized). Dallas County is one of the outliers; a concentration of Low Income Housing Tax Credit (LIHTC) units (1,157), combined with units subsidized under RHS and Housing and Urban Development (HUD) programs, serves a high proportion of the relatively small number of renter households in the county. Dallas County is also the fastest growing in Iowa, so the emphasis on providing new affordable rental units is likely justified. Overall, though, we face the dilemma of an oversupply of housing in places that people are leaving and an undersupply in many of the areas to which they are moving.

Direct rental assistance to households avoids this problem. Map 2.2 on page 27 shows the estimated⁵ number of Section 8 rental assistance certificates available to county residents in 2005.

Rental assistance is a cost-effective way to aid households, especially in relatively soft housing markets. But it may not be appropriate for all needs. Rental certificates may not serve someone who needs a physically accessible adapted unit, and may be less easy to use in housing markets with very low vacancies. Most metropolitan counties have large numbers of certificates, but many fringe counties (where population growth has occurred more recently) do not. However, many certificates issued by Public Housing Authorities (PHAs)

⁴ Households earning \$35,000 or less in 2005 were at approximately 80% of the state's median income of \$43,609. Those earning \$20,000 or less were at approximately 45% of the state's median income.

⁵ This is not identical with the number of certificates being used in a county; certificates are now more portable and in some cases are administered by a regional housing authority that may provide assistance to residents of several counties. In such cases, we divide the number of certificates the Housing Authority administers equally among the counties it serves to provide a fair estimate of the amount of assistance county residents may be expected to have access to. Households who receive certificates from a housing authority are entitled to move away from that jurisdiction (including out of state) without losing their assistance.

based in metropolitan counties are likely used in fringe counties. One issue Iowa faces is the portability of certificates, which may result in losses to neighboring states.

Recent rental subsidies have been better matched to renter needs. Map 2.3 on page 28 shows all subsidized rental units produced from 2003–2005 by three programs (HOME, LIHTC and the SHTF), as a percent of all renter households in each county. Most development has concentrated in metropolitan and adjacent counties, but some more rural counties have seen quite substantial production.

Have new rental subsidies been targeted to those communities likely to have the greatest need? We tested the relationship between the proportions of new subsidized rentals and three indicators: the growth of the housing stock since 2000, the increase in housing prices since 2000 and the incidence of rental affordability problems in each county in 2000. We tested whether the correlation between each pair of variables was statistically significant (in other words, whether the correlation was likely to reflect mere chance, or whether the characteristics were consistently related across counties).

We found that the proportion of new subsidized rental units was significantly and positively related to both the rate of housing growth and the proportion of cost-burdened renters.⁶ There was no significant relationship with increases in housing prices. This finding suggests that recent public investments in rental housing have been guided by rental affordability problems and by overall housing growth. Although Iowa has a large older stock of subsidized housing that is not ideally located to serve renter households in need, current policy has ensured that investments target areas with greater housing need. The problem is primarily one of providing sufficient resources.

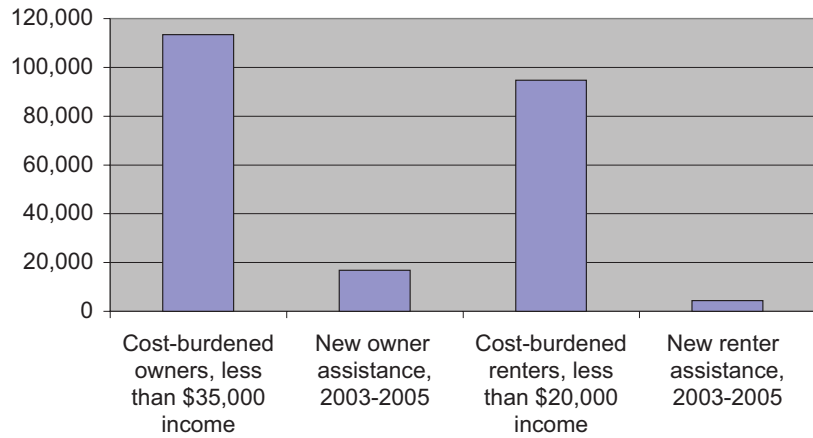
We face a further set of challenges: preserving the subsidized housing we do have. Much of the rental stock is approaching the age where major repairs are needed and where affordability restrictions are due to expire. Estimating the precise extent of physical needs and the possibility that owners will be able to “opt out” of subsidy contracts is difficult. Map 2.4 on page 28 shows the proportion of rental units with assistance contracts that will expire between 2006 and 2011.

Many owners may choose to renew these contracts if funds are available, but others may choose to raise rents or sell the property. The map does not show another important threat: the proportion of subsidized rentals in need of major rehabilitation and modernization, but that lack reserve funds or borrowing capacity to meet these needs. A challenge we face is deciding which units should be preserved and finding the resources to do so.

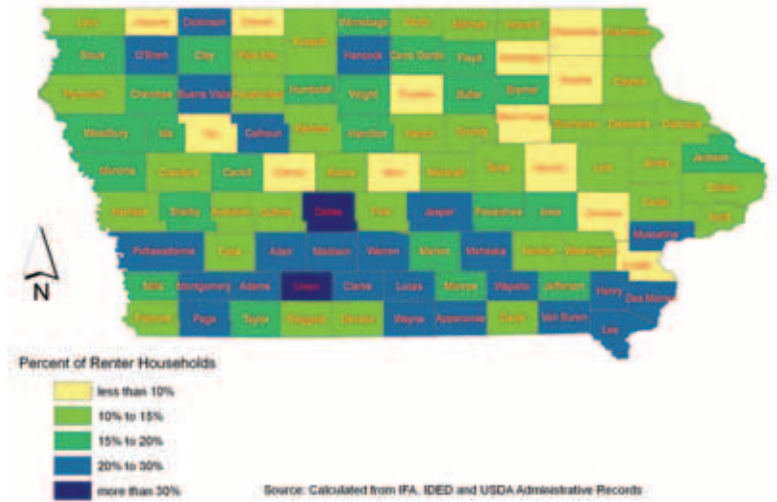
⁶*The Pearson tests reported on the bivariate correlations in this chapter were significant at the 99% level. In other words, there is a one percent probability they are the result of chance association.*

Section Two

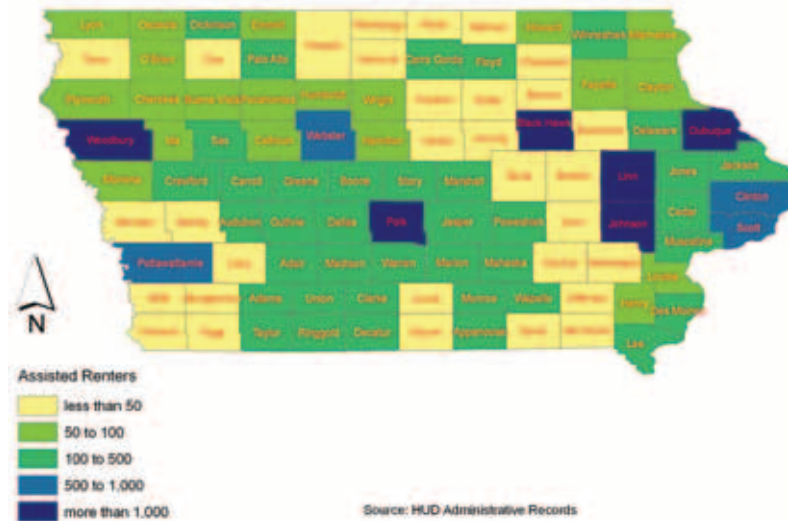
CHART 2.1:
Housing Needs, 2005, Compared to Housing Assistance, 2003-2005



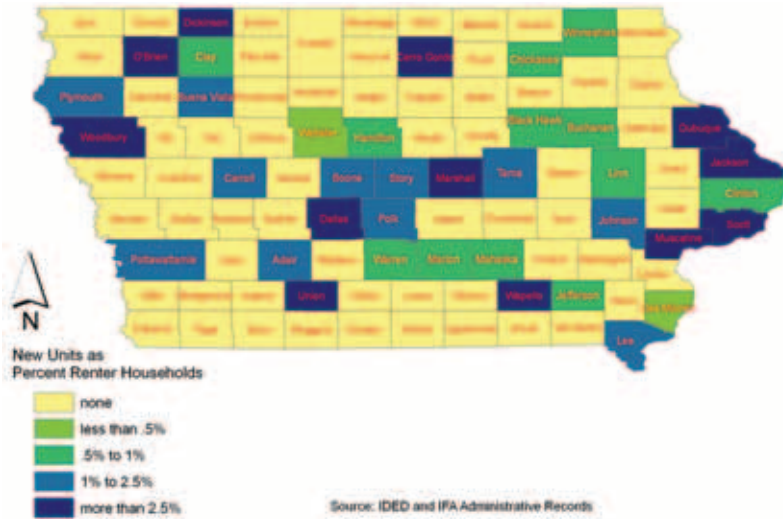
MAP 2.1:
Proportion of all Rental Units Subsidized, 2005



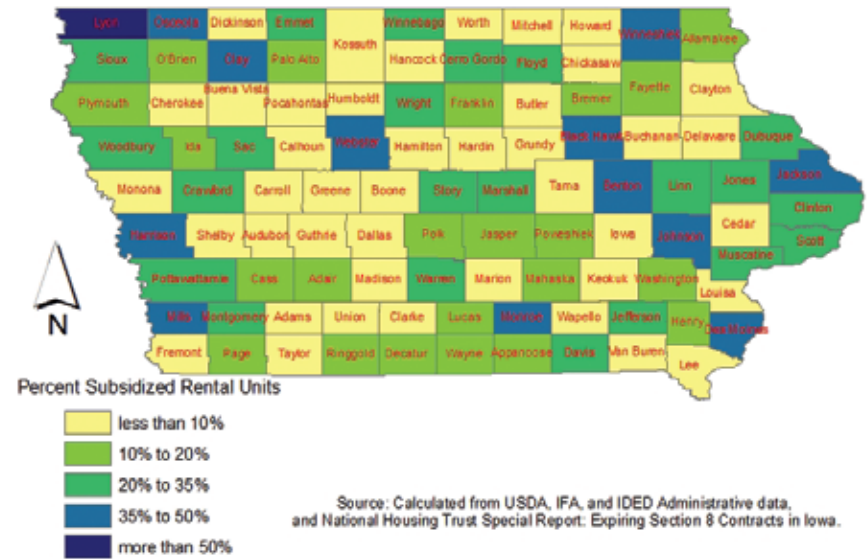
MAP 2.2:
Distribution of Rental Assistance Certificates, 2005



MAP 2.3:
Subsidized Rental Units Developed, 2003-2005



MAP 2.4:
Percent Subsidized Rentals with Assistance Contracts Expiring 2006-2011



Section Two

How Have We Done With Home Buyer Assistance?

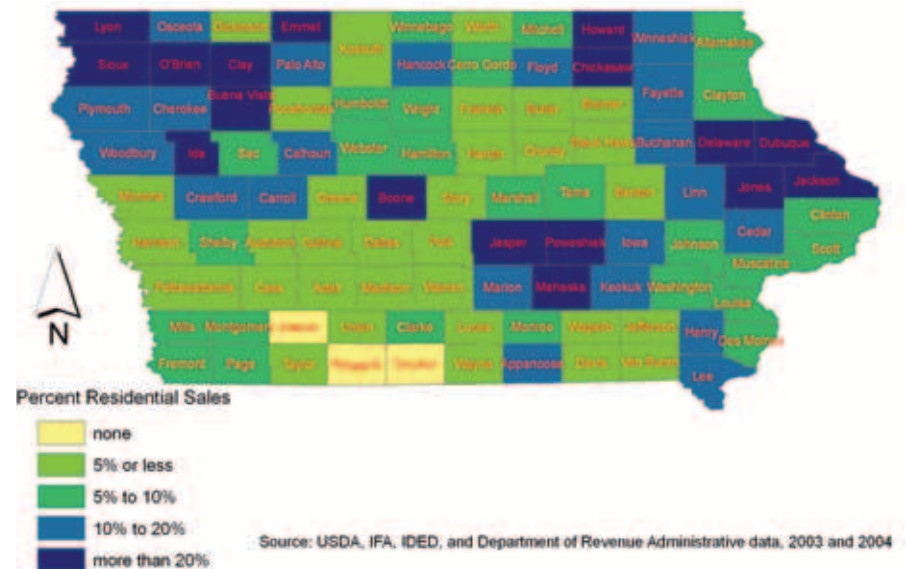
One reason homeownership has continued to expand in Iowa is that subsidies (in the form of low-interest loans or down-payment assistance) have helped many lower-income households buy their first homes. Some subsidies serve moderate-income buyers of homes in targeted neighborhoods. Three major funding sources served Iowa home buyers from 2003 to 2005: the IFA FirstHome and FirstHome Plus programs; the RHS Section 502 guaranteed and direct loan programs; and the federally funded block grant program, HOME (which includes funds for the American Dream Downpayment Initiative). Many local governments offer down-payment assistance programs (not included in this analysis), and some SHTF resources have been used to help home buyers. In general, much shallower subsidies are needed for home buyer loans than are needed for rental housing development or ongoing tenant assistance, so resources can be spread among many more households.

Map 2.5 summarizes the distribution of home buyer assistance under the FirstHome, RHS and HOME programs in 2003 and 2004 as a percentage of all home sales in those years. Several metropolitan counties—Polk, Dallas, Black Hawk and Pottawattamie—have low average market shares. Home buyer assistance appears to account for more than 10% of the market (as measured by residential sales) in many nonmetropolitan or micropolitan counties. It is clearly very important in Dubuque, Scott and Woodbury counties.

We assessed how these average market shares were associated with three other county characteristics: the percent of cost-burdened homeowners, the estimated growth in housing units and the estimated increase in home prices from 2000 to 2004. Did any of these three indicators of affordability, supply or price show any relationship with the market share of home buyer assistance programs during the study period? The only statistically significant correlation with average combined market share was a negative relationship with the estimated growth in housing units. In other words, home buyer assistance was concentrated in counties with slower-growing housing stocks. In turn, estimated housing stock growth was significantly correlated with one other indicator—the percent of cost-burdened homeowners. In this case, the relationship was positive. In other words, counties with higher estimated housing growth also had higher proportions of cost-burdened owners, as we might expect. Thus, although there was no direct correlation between home buyer assistance and affordability indicators, assistance (in particular, RHS assistance) was concentrated in slower-growing places, and slower-growing places were likely to have fewer cost-burdened homeowners.

Home buyer assistance is targeted primarily at households rather than communities. Nevertheless, there are some disparities in the share of homes that assisted buyers could afford in different communities. Appendix B shows the estimated percent of homes that would be affordable to eligible FirstHome and FirstHome Plus buyers in each county. In most places, a large share of the local housing market would be available to buyers. The exceptions are among the fastest-growing counties—Dallas and Johnson. One question for home buyer assistance programs in the future is whether some forms of assistance may be more effectively targeted to places where homeownership is further out of reach for lower-income families.

MAP 2.5:
Market Share of all Subsidized Home Loans, 2003-2004



How Have We Done With Owner-Occupied Home Rehabilitation?

Low-income homeowners may face a different set of problems, such as lack of access to affordable home improvement loans. Rehabilitating existing housing is usually a far more affordable option than constructing new housing. Iowa has a housing stock much older than average, and older homes predominate in most nonmetropolitan areas. As Section One showed, older homes may have lead and other environmental hazards that threaten residents' health. Modifying existing homes also may be a cost-effective way for people with physical limitations, especially the elderly, to remain independent. Improving energy efficiency has social benefits beyond the improvement in quality of life and affordability for the households. From a "green" development perspective, recycling, rather than replacing our existing housing stock, is (usually) the most environmentally sensitive strategy.

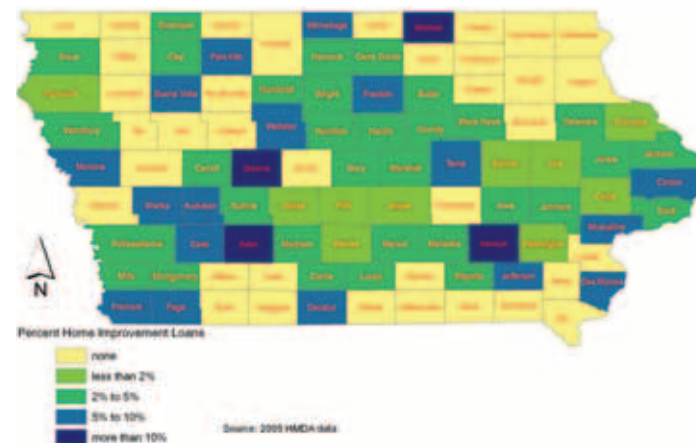
But financing for home repairs is not always easily accessible on affordable terms, especially for homeowners with limited incomes, poor credit or who live in counties with stagnant or declining home values. Map 2.6 shows the proportion of high-cost home improvement loans made in each county in 2005.⁷ Communities where high-cost loans make up a significant share of all home improvement lending may be in special need of subsidized home rehabilitation assistance.

Community Development Block Grant (CDBG) funds have been devoted exclusively to owner-occupied rehabilitation since 2003. RHS Section 504 Direct Loans are also available for home improvements, and HOME funds have provided a small number of loans. Weatherization funds from the federal Low Income Home Energy Assistance Program (LIHEAP) target specific kinds of rehabilitation needs. These funds have become especially important in recent years, as home energy costs have risen dramatically. Map 2.7 shows how rehabilitation funds from all of these sources combined have been distributed by county between 2003 and 2005. Loans and grants have been focused outside of most metropolitan areas, reflecting the older nonmetropolitan housing stock.

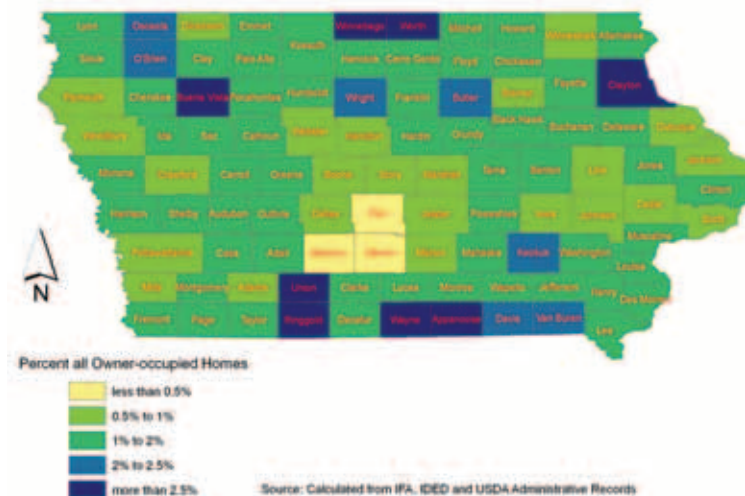
We performed a statistical test on the correlations between the proportion of owner-occupied units assisted, and three indicators: the proportion of units likely to have lead hazards (this is a direct proxy for the age of homes), the proportion of high-cost home improvement loans in 2005 and the average rate spread⁸ on home improvement loans in that year. We found a significant positive correlation between the proportion of owner units with rehabilitation assistance and the proportion of units likely to have lead paint hazards (in other words, older units). The correlations with indicators of the cost of home improvement lending were slightly negative, but not statistically significant. Owner-occupied rehabilitation spending has been effectively targeted to those communities with the greatest housing quality problems, but not necessarily those that may have problems with home improvement financing.

⁷The map shows only the proportion of HOEPA loans, or loans that are high cost enough to require the institution to report them to HUD, under the Home Owners Equity Protection Act (HOEPA) of 1994.

MAP 2.6:
Proportion of High-Cost Home Improvement Loans, 2005



MAP 2.7:
Proportion of Owner-Occupied Homes Rehabilitated, 2003–2005



⁸The rate spread is the amount by which the loan interest rate exceeds the prime rate +3. It thus includes a wider array of somewhat high-cost loans that do not trigger HOEPA reporting.

Section Two

Where are the Major Gaps in our Housing Programs?

We held a series of housing forums in early 2007, in which more than 80 practitioners participated. Developers, lenders, nonprofit agencies, and federal, state and local government staff discussed the most significant gaps they saw in Iowa's current array of housing programs. Five major themes emerged from these discussions; they represent widely shared perspectives among the public and private (for-profit and nonprofit) sectors.

1. *Underfunding and the Stability of Funding.* The decline in federal funds (especially HOME and CDBG funds) was probably the most widely mentioned challenge, followed by the lack of state contributions to fill this gap. One participant summed up the situation: "...too little money, too many issues to address, all we do is move resources around without solving problems."

Participants from Waterloo and Cedar Rapids pointed out they have two- to three-year waiting lists for rental assistance and no other way to meet people's needs. In Davenport, a participant described a 2,500 deficit of apartments affordable to extremely low-income households; the city has 560 vouchers available, but the waiting list for assistance is four to five years. In the homeownership session, the shortfall in federal funding for the rural self-help program and the battles with an aging housing stock with too many rehabilitation needs and too few funds were two of the issues mentioned.

Several participants pointed out that it was simply impossible to provide housing for extremely low-income people without much deeper subsidies than are available now. Without deeper subsidies that would cover operating expenses as well as capital costs, we will continue to rely on a wasteful short-term solution: housing people in emergency shelters while their problems intensify.

2. *Building and Sustaining Capacity.* As many participants pointed out, it is impossible to build capacity without a consistent, reliable funding stream. Participants in rural areas described the difficulties they had finding qualified contractors to bid on projects, and the impossibility of developing a pool of experienced contractors (especially to work within the restrictions of rehabilitation programs) if they do not have reliable volume. Banks are put off by the amount of paperwork they have to do for homeowner assistance programs and they do not have enough applicants under these programs to make it worth their while to develop this expertise. Without steady funding, the private and nonprofit sectors cannot be expected to develop the permanent capacity needed to make housing assistance programs work.

3. *Competing Needs.* Many participants explained how overwhelming it was trying to distribute limited resources among equally worthy clients. Faced with balancing the needs of elderly homeowners aging in place, against young first-time buyers, against the needs

of severely disabled and extremely low-income renters, participants were frustrated by the lack of any fair decision criteria. Balancing program emphasis between rural and urban areas was another difficult issue. Some rural participants argued their communities had plenty of affordable housing; others argued it was not necessarily available in the larger towns, where people were most likely to find employment. Urban participants reported much larger affordable housing deficits and an inability to serve the many households who needed very deep subsidies.

In practice, the needs that end up being met are those that are easiest to meet given current programs, not necessarily the needs to which we should give priority. The perception of many is that policy is made at the federal level. Developers, lenders and hands-on service providers have very little ability to affect the broader federal decisions that guide the distribution of resources. Those decisions sometimes appear arbitrary. Without a more substantial state contribution, it is difficult to reshape most federal programs to meet local needs.

4. *Coordinating Programs and Rules.* Layering subsidies to reach extremely low-income renters requires creativity, stamina and too much time. It is difficult for an inexperienced developer to work his or her way through the maze of options, and go to different places to find different pieces of funding for a project, especially if it is innovative. Many participants saw program restrictions as arbitrary. For instance, some home rehabilitation projects may be sorely needed but impossible because costs will exceed the dollar limit. Some participants believed that state interpretations of federal program restrictions were sometimes mistaken and that flexibility was possible. The sheer volume of programs and subprograms was seen as confusing, and most agency participants felt they had expertise in a narrow area, but that there may be useful programs they didn't know about.

Others complained that while it was possible to fund development, it was very difficult to fund the supportive services that many developments needed to work. Rental housing may be available, but very low-income renters have difficulty coming up with the security deposit they need, just as low-income homeowners may find it difficult to assemble down payments. Many emphasized the importance of education to keep people in homes. Low-income home buyers need to understand the implications of refinancing their mortgage at sub-prime rates, or of making late payments; renters need to understand what it takes to be a good renter. Without the education that some clients need, valuable subsidy dollars may be lost.

There was widespread agreement that programs are not used or understood as well, or as widely, as they should be, and that the confusing array of possibilities may discourage prospective developers. For instance, the perceived risks for a small nonprofit in applying for tax credits may discourage many from attempting to use the program.

5. Building Partnerships. Participants debated whether developers could be pushed beyond their current role without major changes in the stability, simplicity and accessibility of the programs with which they work. Some mentioned that employers have played very little role in housing the labor force they rely on. If we need more housing assistance because more people earn less than living wages, should employers who benefit from those low-wage workers be expected to contribute some assistance? Some participants pointed out that local governments are increasingly less able to help, as even basic infrastructure investments exceed available revenues. One person described this as a “rollback gap”: small towns don’t have sufficient property tax revenues to invest in essential infrastructure for new development, so in turn they don’t have the ability to increase their tax base.

Others saw local governments as opponents of affordable housing rather than partners. Participants argued that in some places, city governments seem less interested in preserving older affordable units and more interested in stimulating conversion and gentrification. In others, insufficient multifamily zoning in places accessible to jobs, where land would be cheaper, excludes low-income renters. Most new rental development is only allowed in expensive suburbs where land prices ensure it won’t be affordable.

One final point that many agreed with was that the housing sector’s role in other important areas—education, health, transportation, environmental preservation and economic development—was rarely recognized. Participants believed that developing a better understanding of how stable, affordable housing contributes to other social priorities could be the basis for broader support for the sector and for a better integrated housing policy.

Conclusions

The quantitative assessment of housing programs raised several issues:

- Current levels of subsidy, especially for renter households, are inadequate to the volume of need. At our current pace, it would take 20 years to address homeowners’ housing needs and 64 years to address renters’ housing needs.
- Renters need housing assistance most in the rapidly growing metropolitan and fringe communities they work in, but much of our subsidized housing stock is elsewhere.
- Preserving the existing subsidized rental stock will require us to choose where we should focus our efforts.
- Home buyer assistance is targeted to households not communities, but first-time buyers may not be able to use assistance as easily in a few high-cost markets.
- Home rehabilitation assistance is well-targeted to older communities, but future assistance may need to consider the concentration of sub-prime home improvement loans in some places.

The housing forum discussions raised new issues that need to be considered:

- Funding levels are shrinking, further reducing our ability to meet needs.
- Unstable and unpredictable funding makes it difficult to develop and sustain our capacity to address housing needs.
- Without clearly articulated and/or agreed-upon housing goals, we cannot expect to distribute resources effectively.
- Complex and uncoordinated programs that few understand do not use resources effectively.
- We need to develop stronger partnerships with employers, local governments and related interests, such as transportation, environmental preservation, health, education and economic development.



Section Three:

Conclusions and Recommendations

Section Three

Iowa faces several challenges over the next decade. Some of these are clear from the evidence presented in the body of this report. Others emerged from the series of housing forum discussions we held in early 2007. We begin by summarizing these challenges and then go on to outline three major recommendations to address them.

Iowa's Challenges

- Iowa's economic (and demographic) stability depends on attracting new immigrants and slowing the departure of residents. Eroding housing affordability, communities that are dull rather than vital and a narrower employment market will make this more difficult. Housing alone cannot solve the problem, but it must be part of the solution.
- Ensuring economic stability will require creating more living wage jobs and better jobs, so that fewer working Iowans need housing assistance and more qualified residents have reasons to stay. Increasing development and construction capacity will contribute to this.
- Stabilizing homeownership, especially among newer owners, is essential to avert projected increases in mortgage foreclosures, especially among sub-prime borrowers. If foreclosures are concentrated in the same communities sub-prime loans are concentrated in, there could be damaging longer-term effects.
- Housing the working poor, people with disabilities and those facing homelessness will require much deeper subsidies than are available now.
- Upgrading the quality of existing older homes continues to be a long-term challenge, but past efforts may be beginning to pay off in lower rates of lead poisoning among children.
- Preserving existing resources is important, but not all preservation is justified or cost-effective. Financial and physical decline need different sorts of responses.
- Developing more sustainable homes may avert future preservation crises. Energy-efficient construction has higher capital costs, but lower life-cycle costs; universal design can avoid costly future retrofitting.
- Countering the negative image of affordable housing in some communities will be essential to streamline the development process, avoid unnecessary urban sprawl and ensure that the labor force has homes available in the communities in which they work.

Recommendation I: Iowa Needs a Statewide Housing Policy.

Without agreement on a proactive strategy, a valuable asset—not just many local housing markets throughout the state, but more important, the families they house—will continue to trickle through our fingers. Our current approach, to do our best to spend shrinking federal resources responsibly, does not focus on the major challenges we will face by 2017. If we do not decide where to go, we cannot begin to talk about how to get there.

Rationale

Many small incremental decisions may appear rational, but they may steer a course that is actually irrational. The choices we make based on extremely short-term considerations may end up costing far more in the long or even medium run than solving the problem would have cost. Without an explicit policy to guide the tradeoffs among short- and long-term solutions, and to track choices and outcomes over time, decision-makers cannot be expected to solve the complex challenges we face. An explicit and broadly supported statewide housing policy⁹ would demonstrate why housing is such a good investment and how it would contribute to meeting many other economic and social goals. Some of the evidence for these arguments is presented in the second volume of this study.

Strategic Steps

1. We need agreement on goals, values and priorities if we are to decide how resources should be distributed equitably and effectively.
2. Once we have a vision of what we want to do, we can work out what sorts of resources we need to achieve it. We should design an integrated mix of private resources, public subsidy, individual responsibility and government regulatory supports. We should also work out where the crucial gaps are and make an argument to fill them.
3. We need to maintain, fine-tune and improve this policy over time. To do this, we need to set quantifiable targets and collect the data needed to show whether targets have been achieved or not. Without clear evidence of outcomes, we cannot expect elected representatives to maintain their support through lean budget years and in the face of competing demands. And, without regular evaluations of outcomes, we may not see opportunities for improvement or adjustments needed for changing conditions.

⁹Although each of the agencies that deal with housing has a set of policies, these do not guide the state as a whole, and they may not reflect the full range of choices we face.

Action Steps

1. A lead agency or entity is needed to draw together a broad coalition of interests. It could be a steering committee, but it would need to be stable and permanent.
2. We could examine how other states or cities have reinvented their housing systems and start thinking creatively about how Iowa could do the same. Sending potential participants to “best practices” conferences or to spend a week at innovative agencies may be a good way to stimulate creative thinking. Organizing a conference with external speakers, focused on “how we reinvented our housing system,” could also help.
3. We could run a multiday workshop or policy design charette at which all coalition partners collaborate on designing our course of action (a housing policy). Individual tracks could split up after the first sessions to design systems that would feasibly meet specific sorts of needs, then reconvene to negotiate how these elements would fit into the broader package.
4. We should design and set up the regular reporting systems that would provide feedback about outcomes. This could reorganize rather than add to existing reporting requirements.

Section Three

Recommendation II: Stable, Predictable Funding and Efficient Use of Resources are Both Essential for an Effective Housing Policy.

Investing in housing is a long-term strategy, and short-term fluctuations in funding undermine our progress. Iowa's developers, mortgage lenders, local governments, nonprofit agencies and families need a reliable commitment and a stable partnership to back their real estate investments. We also need to evaluate whether existing resources could be used more effectively.

Rationale

Investments in housing are long-term commitments. Years of investment are lost if a homeowner decides to stop making mortgage payments; the appreciated value of an apartment building is lost if the owner decides to stop maintaining the property. Although we all recognize this, the principle rarely informs decisions about resources. Federal funds, for many decades the major source of public subsidy, shrink or stagnate while need continues to grow. States and cities can no longer rely on federal assistance to meet housing needs.

Many states (and some cities) realized this some time ago and have concentrated their energies on developing local alternatives. No matter the shape of the housing policy we develop, it will require one important thing: a stable commitment of resources that fits the real estate investment cycle rather than the election cycle. When programs wax and wane, they do more than cut off assistance for needy Iowans—they waste precious resources.

Strategic Steps

1. The SHTF would be the appropriate vehicle for a stable, predictable source of funds. Proposals for a dedicated source (real estate transfer taxes) in Iowa have not yet been approved. This would be a valuable step forward in developing a sustainable funding stream that would keep pace with rising housing costs.
2. Stability should be addressed in other ways too. Spending scarce resources on home buyers who default on their loans, or tenants who are disruptive, is wasteful. Education and supportive services should be an integral part of our strategies. Administering effective programs and providing supportive services should be recognized as part of the cost of doing business.
3. One of the most cost-effective strategies we could pursue would be to focus on preserving what we have, where preservation is justified by current need. The low-priced housing stock faces a variety of threats: expiration of use restrictions, contract termination, bankruptcy, pressures to demolish or convert, and physical decline. No one strategy will

work, but groups of properties facing similar threats could be served by a joint preservation effort.

Action Steps

1. A joint conference with related interest groups (perhaps a roundtable session added to the end of one of the events described above) may strengthen the rationale for providing a stable, predictable source of funding for strategic housing investments.
2. We could establish ongoing sources of administrative and service support, both by using complementary programs more strategically and by committing funds to the activities that support development.
3. Developing a workforce housing demonstration project in partnership with one or two communities, emphasizing local capacity building, could strengthen recognition of housing's economic development impacts.
4. We could investigate at least one innovative strategy a year. For instance, state provision of a guaranteed tenant security deposit program, combined with renter education, could help place hard-to-house tenants in stable situations.

Recommendation III: Build Developer Capacity and Streamline the Development Environment.

Better local capacity will expand the reach of programs and ensure resources are used more effectively. In too many communities, small-scale demand makes it uneconomical for the private for-profit and nonprofit sectors to use existing programs. In some communities, local regulatory and political barriers increase the costs of development or rehabilitation, reducing financial feasibility and requiring more subsidies. When only a few developers compete for specialized programs, some types of worthwhile projects may be neglected.

Rationale

Subsidies are scarce, and reducing project costs can reduce the amount of subsidy needed. Streamlining the development process does not mean that communities should be expected to give up all control over development. Most development regulations exist to protect the health, safety and welfare of citizens, to ensure that planned capital investments will meet infrastructure needs and to protect local property markets from externalities that will destabilize their value. These are valuable public purposes. However, not all regulations are justified by these considerations. Often, perception rather than reality can be a more powerful force in shaping regulations.

The second part of this study analyzes the evidence we have for the relationship between affordable rental housing development and local home values in Polk County. As the analysis shows, there is no compelling evidence that affordable rental developments reduce property appreciation. In some cases, well-designed projects may help jump-start a lagging market. What appears to be lacking in many communities is a proactive commitment to enabling developers to satisfy the local demand for affordable homes.

This affects not just the supply of affordable housing, but also its distribution. Exclusionary regulations can exacerbate racial, ethnic and income segregation, and result in more commuting and suburban sprawl because affordable homes are not necessarily available where jobs are located. They can also affect equity between jurisdictions. Communities with a strong employment base may zone more land for revenue-producing industrial and commercial uses, leaving revenue-consuming uses (such as housing priced below \$250,000) for outlying communities. The costs and benefits of economic prosperity are unevenly distributed: some communities have ample local revenues to enhance their economic development climate further, while others struggle to meet the needs of a primarily residential community without the revenue provided by the firms employing those residents. “Fiscal zoning” of this sort disadvantages not only many smaller local jurisdictions, but also the state as a whole as unmet local needs become the state’s responsibility.

Local regulatory and political barriers are not the only reason for development delays. Another important source of delay is the complex negotiating process required to assemble several different layers of subsidized and unsubsidized financing, each with different and sometimes contradictory restrictions. For inexperienced developers, this is an intimidating and often frustrating process, especially where the ultimate application will be judged in a competitive process with no guarantee that funding will be approved. Both technical assistance and direct assistance with assembling funding could help.

Strategic Steps

1. Regulatory barriers to development should be an explicit focus of the housing policy discussion described above. An increasing number of states use their land-use authority proactively to ensure that regulatory barriers to affordable housing development and rehabilitation are reduced. Land-use planners and local elected officials should be part of housing policy discussions.
2. Although Iowa has coordinated two major sources of subsidies—the LIHTC and HOME funds—much greater levels of coordination are possible. This could reduce entry barriers for new developers and service providers, and speed the process. One-on-one assistance to new or small developers in identifying and negotiating both public and private funding sources could be helpful. Another strategy may be to assemble a complete package of

resources from both public and private sources with one equity pool, one blended interest rate and an overall set of requirements. Eligible projects could be funded from those pooled sources, requiring very little time or expertise from individual developers. A seed capital fund to enable small developers to take a risk on initial costs, such as land assembly, would be another useful element.

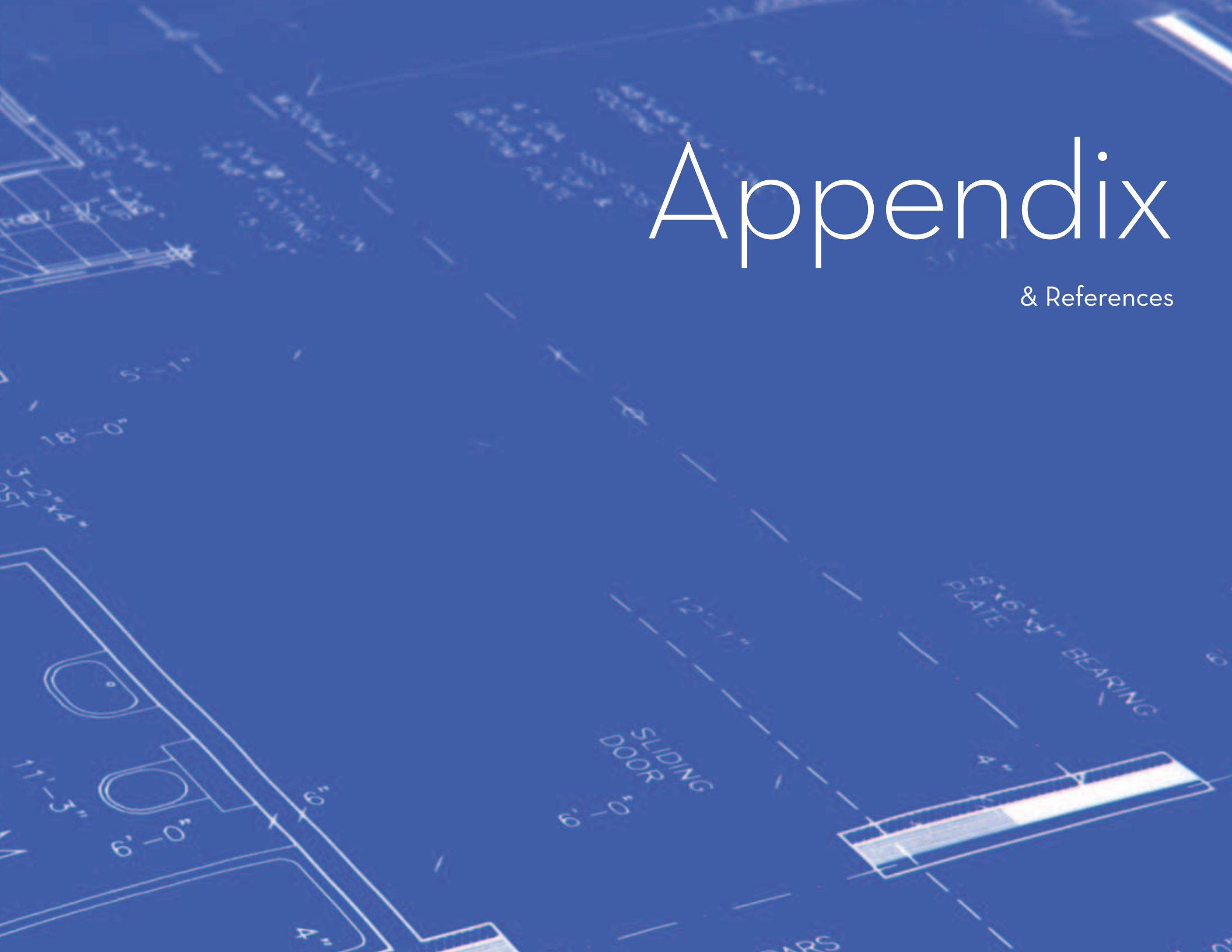
3. Other types of technical assistance could help shorten development lag times and encourage more participants. Providing seed funds to enable small communities to commission market studies, training potential new developers to put together a financial pro forma, or educating all developers about ways to incorporate more energy-efficient features into homes, are examples of strategies that could enhance development capacity. While no guarantees can be provided for competitive fund allocations, there are ways to cushion the risk that discourages thinly capitalized entities from taking new development initiatives.

Action Steps

1. Reforming development regulations will not be a short-term fix. We should initiate a discussion about regulatory reform with land-use and environmental interest groups. In the medium term, a feasible legislative agenda may emerge.
2. We could consider establishing a coordinated “one-stop shop” that would, at a minimum, act as a clearinghouse for existing resources and offer basic technical assistance. Ideally, such an entity could develop more proactive ways to streamline development by coordinating financial and technical assistance.
3. At least one innovative initiative should be pursued annually to demonstrate that change can happen. For instance, encouraging “greener” development could improve both the financial and environmental sustainability of affordable housing. Encouraging the legal, spatial and financial integration of manufactured homes into the mainstream could improve the match between housing costs, incomes and depressed local property markets. Many other examples were mentioned in forum discussions.

Appendix

& References



Appendix A: Data Sources

The American Community Survey

The American Community Survey (ACS) is a replacement for the long-form decennial census data and was initiated nationwide in 2005. The full range of 2005 data was released in early October 2006, so Iowa is ahead of the curve in using this new source. As the ACS is phased in, multiyear averages will become available for all sizes of places. By 2010, the ACS will be a more useful source for full statewide comparisons and will offer some spatial detail for census tracts as well as small places.

The ACS differs from the 2000 Census of Population and Housing. For instance, the median family income estimated by the ACS may differ from the median family income that would be reported if we had collected the information in exactly the same way as the 2000 Census did. First, the sample size is much smaller and estimates are thus much less precise (upper and lower bound estimates are shown in each chart in the report). Second, a different population is surveyed because the ACS defines “residence” differently. Some older, wealthier Iowans who spend winters in Texas may not be included in annualized ACS income estimates (although they would have been if the 2005 survey had been conducted like the 2000 Census), while some poorer, seasonal workers who work in Iowa for the summer may be included in income estimates for the state (although they would not have been counted in the 2000 Census). Thus, evidence of income declines (and evidence of increases in poverty rates) based on the ACS is suggestive rather than conclusive.

Vacancy rates are also different measures in the ACS compared to the Census. Because the ACS counts people where they are living and not at their permanent residence, there may be higher numbers of seasonally vacant units. More important, the confidence interval around vacancy rates is wider than other housing characteristics because vacant units are only identified during the follow-up on one in three households, in contrast to the 100% follow-up performed after the 2000 Census of Population and Housing. Thus, it is possible that vacant units are systematically underestimated in the ACS.

Census Population Estimates

The Census Bureau produces Inter-Censal Estimates of Population and basic demographic characteristics each year between decennial censuses. These estimates are based on cohort-survival models of population change (births and deaths) and models of migration that rely on analyses of tax returns and other administrative sources. Tests of past estimates suggest that while they are fairly accurate for states and larger counties, they are much less accurate for smaller counties. While the estimation program has likely improved because of the additional data provided by the American Community Survey, this survey only began nationwide in 2005 and so would not contribute to improving estimates during the first four years of the decade. Thus, some of the county-level estimates presented here should be treated as suggestive rather

than conclusive: they are a picture of what may have happened, not what has happened. We explore other sources of information to see whether there is corroborating evidence for the trends indicated in the Census Bureau estimates.

Home Mortgage Disclosure Act Data

This data is drawn from the Home Mortgage Disclosure Act data set, collected from lending institutions with headquarters in metropolitan areas. While bank consolidation and the rise of Internet lending has extended the reach of metropolitan-based firms into most nonmetropolitan counties, the data is incomplete. Nationally, it is estimated to cover approximately 80% of mortgages originated in any year, but coverage varies widely in Iowa by county, from less than 30% of home sales to close to 100%. Thus, estimates of lending patterns in nonmetropolitan counties may be biased because some types of borrowers may be more likely to obtain mortgages from metropolitan-based lenders (those who have Internet access or who are willing to shop for a mortgage by phone). The analyses presented here are limited to primary (first-lien) loans for purchases of conventional single-family homes for owner occupation; purchases of manufactured homes are excluded. It includes only loans that were originated, not those purchased by an institution.

County Assessor Data

Verified sales are reported as the basis for tax assessment adjustments in an annual series of Sales Ratio studies issued by the Iowa Department of Revenue. This data is different than the median home value reported in the 2000 Census of Population and Housing and the American Community Survey. First, it is an average rather than a median value, so it may be more influenced by extremes in value. Second, it is based on the sales price recorded for legitimate market sales, so it does not reflect the bias that may be introduced by homeowner assessments of the value of their home, which is what the 2000 Census and ACS report. Third, it includes all single-family residential sales, not just those of owner-occupied units. It is not assessed value, but helps form the basis for determining assessed value.

Appendix B: Distribution of Home Values

In addition to the average sales price reported for each county, we estimated a distribution of sales prices in 2004. These estimates are based on verified sales data (not assessed value data) from County Assessors. We used the rate of increase in verified sales from 2000 to 2004 to inflate the estimates of lower, middle and upper quartiles of home values as reported in the 2000 Census. These distributions are shown in the first three columns of Table B.1 on page 43. To provide a check on these results, we also calculated the distribution of home loans originated that year. We would expect that total home values would be higher than total loan amounts because most buyers provide a down payment. The distributions of loan size are shown in columns four through six of Table B.1. The HMDA data corroborate the estimates of home value distribution.

In Table B.2 on page 44, we estimated the proportion of homes that would be affordable to households eligible for the FirstHome program (those at median income) and to households eligible for the FirstHome Plus program (those at 80% of the statewide median income). We did this by using the rate of increase in verified sales from 2000 to 2004 to inflate the distribution of home values reported in the 2000 Census. Then, we calculated the price of a home that would be affordable to a household at each income level, using the prevailing interest rate for the programs as of December 2006, assuming total monthly household debt of \$600 and \$2,000 in funds available for a down payment. For instance, for a household eligible for the FirstHome Plus program, earning \$46,240, an affordable home would be priced at \$151,815.

Using the inflated distribution of home values, we were able to estimate the percentage of owner-occupied homes in the county valued at that amount or less. Table B.2 shows the percent of homes affordable to buyers eligible for FirstHome and FirstHome Plus, respectively. We should emphasize that these are approximations of the number of affordable homes. Census-reported home values are not the same as actual market values and the distribution of home prices may have changed since 2000. This estimate also does not say anything about available for-sale homes or about the quality of homes. There may be many affordable homes in a community, but very few available for sale. Or, available homes may not be of adequate quality.

Appendix B: Distribution of Home Values

TABLE B.1:
Estimated Distribution of Home Values, 2004

	Based on Residential Sales Prices:			Based on Home Loans reported in 2005 HMDA:		
	Lower Quartile 2004	Median 2004	Upper Quartile 2004	Lower Quartile 2005	Median 2005	Upper Quartile 2005
Adair	\$49,101	\$74,851	\$105,649	\$45,500	\$63,500	\$87,000
Adams	\$31,464	\$56,490	\$90,140	\$41,500	\$54,000	\$80,000
Allamakee	\$59,340	\$82,135	\$109,755	\$60,000	\$78,000	\$100,000
Appanoose	\$33,925	\$53,665	\$82,035	\$46,000	\$58,000	\$89,500
Audubon	\$32,584	\$49,745	\$77,937	\$37,500	\$52,000	\$74,500
Benton	\$76,141	\$108,380	\$156,213	\$62,000	\$88,000	\$138,000
Black Hawk	\$62,838	\$94,319	\$133,761	\$60,000	\$88,000	\$128,000
Boone	\$66,781	\$97,693	\$142,040	\$63,000	\$79,000	\$108,250
Bremer	\$79,384	\$106,490	\$145,456	\$66,000	\$95,000	\$132,000
Buchanan	\$56,504	\$82,850	\$108,411	\$55,000	\$78,000	\$107,000
Buena Vista	\$48,723	\$75,109	\$107,514	\$51,000	\$70,000	\$91,000
Burler	\$53,062	\$82,101	\$115,496	\$49,000	\$70,000	\$97,500
Calhoun	\$31,969	\$51,281	\$74,062	\$41,000	\$52,000	\$72,000
Carroll	\$61,913	\$91,246	\$120,579	\$50,000	\$80,000	\$117,500
Cass	\$49,630	\$74,570	\$104,524	\$44,000	\$63,000	\$86,750
Cedar	\$75,559	\$99,879	\$134,825	\$67,500	\$87,000	\$120,000
Cerro Gordo	\$67,339	\$95,799	\$138,870	\$55,000	\$75,000	\$108,000
Cherokee	\$40,663	\$60,677	\$86,938	\$38,500	\$56,000	\$74,250
Chickasaw	\$56,573	\$83,916	\$113,263	\$51,000	\$73,000	\$95,000
Clarke	\$49,678	\$74,922	\$103,061	\$47,000	\$67,000	\$95,000
Clay	\$61,278	\$92,103	\$125,032	\$55,000	\$75,500	\$100,250
Clayton	\$62,349	\$89,031	\$117,323	\$53,000	\$70,000	\$98,000
Clinton	\$56,277	\$85,992	\$114,858	\$50,000	\$70,000	\$103,000
Crawford	\$42,772	\$68,015	\$93,608	\$48,250	\$64,000	\$85,500
Dallas	\$97,922	\$139,889	\$213,460	\$79,500	\$129,000	\$180,000
Davis	\$42,478	\$68,313	\$93,775	\$50,000	\$65,000	\$102,000
Decatur	\$32,656	\$59,066	\$95,755	\$30,000	\$64,000	\$80,750
Delaware	\$70,890	\$97,245	\$130,799	\$60,000	\$77,500	\$121,500
Des Moines	\$55,271	\$80,551	\$111,347	\$47,000	\$66,000	\$100,000
Dickinson	\$84,047	\$119,644	\$205,916	\$62,000	\$100,000	\$147,000
Dubuque	\$87,995	\$112,005	\$154,262	\$70,000	\$99,000	\$133,000
Emmet	\$41,536	\$64,181	\$90,338	\$47,000	\$60,000	\$76,500
Fayette	\$48,004	\$72,692	\$101,245	\$40,000	\$59,000	\$85,250
Floyd	\$62,655	\$88,703	\$120,785	\$50,000	\$65,000	\$94,000
Franklin	\$44,524	\$68,844	\$99,899	\$43,250	\$65,500	\$83,000
Fremont	\$53,362	\$85,912	\$118,596	\$48,750	\$65,500	\$100,750
Greene	\$39,384	\$63,754	\$92,307	\$40,000	\$60,500	\$82,250
Grundy	\$61,085	\$89,648	\$122,045	\$54,000	\$80,000	\$108,000
Guthrie	\$58,766	\$93,122	\$147,367	\$49,000	\$68,000	\$109,750
Hamilton	\$59,687	\$82,186	\$111,446	\$50,000	\$70,000	\$94,000
Hancock	\$40,641	\$65,465	\$90,619	\$40,000	\$63,000	\$84,000
Hardin	\$45,132	\$69,210	\$98,250	\$43,000	\$63,000	\$86,000
Harrison	\$60,715	\$82,430	\$128,464	\$44,000	\$80,000	\$116,000
Henry	\$61,240	\$86,984	\$114,655	\$51,000	\$69,000	\$92,750
Howard	\$48,436	\$73,518	\$104,038	\$50,000	\$63,000	\$87,250
Humboldt	\$48,211	\$81,913	\$109,902	\$44,000	\$70,000	\$85,000
Iida	\$38,662	\$58,949	\$88,371	\$40,000	\$54,000	\$79,000
Iowa	\$71,137	\$109,683	\$150,046	\$55,000	\$92,500	\$127,250
Jackson	\$69,961	\$96,606	\$131,460	\$50,500	\$71,000	\$104,500
Jasper	\$74,415	\$98,385	\$138,096	\$59,500	\$86,000	\$121,000
Jefferson	\$43,693	\$62,852	\$91,460	\$48,000	\$72,000	\$110,000
Johnson	\$122,093	\$160,072	\$220,328	\$82,750	\$127,000	\$174,000
Jones	\$65,255	\$92,859	\$125,775	\$55,000	\$80,000	\$118,250
Keokuk	\$40,632	\$65,491	\$93,378	\$38,500	\$55,000	\$80,000
Kossuth	\$39,045	\$66,255	\$105,056	\$40,000	\$58,000	\$82,000
Lee	\$45,633	\$70,195	\$100,811	\$45,000	\$64,500	\$95,000
Linn	\$98,185	\$121,540	\$172,405	\$71,000	\$100,000	\$140,000
Louisia	\$44,140	\$66,964	\$96,872	\$38,250	\$55,000	\$89,750
Lucas	\$36,655	\$66,161	\$102,296	\$30,500	\$55,000	\$88,000
Lyon	\$51,547	\$79,494	\$109,802	\$48,000	\$70,000	\$95,000
Madison	\$76,795	\$110,565	\$152,169	\$61,500	\$100,000	\$150,000
Mahaska	\$53,141	\$76,998	\$108,656	\$48,500	\$71,000	\$101,000
Marion	\$65,678	\$95,541	\$135,034	\$61,000	\$92,000	\$130,000
Marshall	\$59,973	\$87,322	\$118,719	\$53,000	\$74,000	\$107,000
Mills	\$89,718	\$122,391	\$182,466	\$59,000	\$105,000	\$167,000
Mitchell	\$52,237	\$79,310	\$109,364	\$47,000	\$70,000	\$95,000
Monona	\$30,841	\$49,784	\$71,748	\$38,000	\$54,000	\$84,000
Monroe	\$47,746	\$74,021	\$108,065	\$50,000	\$65,000	\$88,750
Montgomery	\$38,521	\$62,962	\$90,782	\$45,500	\$60,000	\$74,500
Muscatine	\$74,925	\$104,035	\$148,990	\$53,000	\$80,000	\$115,500
O'Brien	\$44,261	\$67,551	\$100,109	\$41,000	\$58,000	\$75,000
Osceola	\$43,238	\$69,756	\$100,324	\$35,750	\$56,000	\$76,250
Page	\$48,587	\$78,157	\$108,117	\$42,000	\$64,000	\$88,000
Palo Alto	\$39,884	\$62,759	\$91,264	\$35,000	\$54,000	\$67,750
Plymouth	\$71,686	\$95,365	\$134,182	\$62,000	\$88,000	\$132,000
Pocahontas	\$30,753	\$50,301	\$79,560	\$29,000	\$46,000	\$61,000
Polk	\$92,528	\$127,025	\$177,663	\$68,000	\$108,000	\$148,000
Pottawattamie	\$77,838	\$105,566	\$149,956	\$54,000	\$88,000	\$127,000
Poweshiek	\$69,953	\$102,851	\$148,100	\$62,000	\$88,000	\$122,000
Ringgold	\$35,129	\$68,433	\$114,815	\$29,000	\$57,500	\$100,000
Sac	\$36,145	\$57,011	\$83,236	\$32,000	\$50,000	\$78,000
Scott	\$76,155	\$103,026	\$154,985	\$63,000	\$96,000	\$145,000
Shelby	\$51,273	\$75,679	\$103,959	\$47,000	\$66,000	\$100,000
Sioux	\$71,571	\$100,698	\$137,435	\$57,000	\$87,000	\$114,000
Story	\$100,427	\$132,908	\$181,572	\$75,000	\$107,000	\$148,000
Tama	\$61,481	\$91,579	\$123,390	\$51,000	\$71,000	\$103,000
Taylor	\$27,497	\$44,159	\$69,559	\$37,000	\$48,500	\$68,000
Union	\$42,538	\$68,159	\$104,077	\$60,000	\$74,000	\$88,000
Van Buren	\$39,044	\$59,463	\$92,436	\$43,500	\$60,000	\$80,000
Wapello	\$37,671	\$57,540	\$90,157	\$45,000	\$61,000	\$85,000
Warren	\$110,582	\$134,278	\$180,880	\$74,000	\$114,000	\$148,000
Washington	\$77,807	\$108,411	\$145,110	\$81,500	\$126,000	\$178,000
Wayne	\$21,214	\$35,964	\$58,895	\$34,000	\$50,000	\$78,000
Webster	\$48,361	\$73,207	\$102,157	\$63,000	\$91,000	\$126,000
Winnebago	\$46,307	\$69,461	\$97,495	\$54,000	\$68,000	\$100,000
Winneshek	\$72,692	\$102,820	\$145,742	\$60,000	\$88,000	\$140,000
Woodbury	\$68,521	\$94,324	\$133,214	\$52,000	\$75,000	\$109,000
Worth	\$52,464	\$76,373	\$109,983	\$68,000	\$84,000	\$115,000
Wright	\$39,360	\$60,598	\$89,916	\$41,000	\$59,000	\$74,000

TABLE B.2:

Estimated Percent of Homes Affordable to FirstHome-Eligible Buyers

County	Percent Homes Affordable to FH Eligible Household	Percent Homes Affordable to FH+ Eligible Household	County	Percent Homes Affordable to FH Eligible Household	Percent Homes Affordable to FH+ Eligible Household	County	Percent Homes Affordable to FH Eligible Household	Percent Homes Affordable to FH+ Eligible Household
Adair	98.01%	92.49%	Floyd	97.11%	90.40%	Monona	98.64%	94.48%
Adams	98.21%	95.36%	Franklin	97.62%	93.30%	Monroe	97.76%	94.11%
Allamakee	96.73%	90.15%	Fremont	96.40%	91.41%	Montgomery	97.77%	93.01%
Appanoose	98.39%	93.51%	Greene	97.98%	94.90%	Muscatine	91.79%	76.80%
Audubon	98.30%	94.95%	Grundy	96.22%	86.72%	O'Brien	95.99%	88.87%
Benton	93.83%	77.82%	Guthrie	89.16%	81.57%	Osceola	97.87%	93.57%
Black Hawk	92.13%	81.93%	Hamilton	95.32%	89.33%	Page	98.34%	92.56%
Boone	93.36%	82.26%	Hancock	96.16%	89.62%	Palo Alto	98.03%	93.68%
Bremer	91.70%	77.69%	Hardin	96.05%	91.10%	Plymouth	89.07%	75.52%
Buchanan	96.35%	87.70%	Harrison	96.94%	84.98%	Pocahontas	98.91%	96.80%
Buena Vista	92.50%	85.68%	Henry	94.94%	85.86%	Polk	91.33%	65.26%
Butler	98.27%	92.01%	Howard	96.60%	90.54%	Pottawattamie	94.22%	77.11%
Calhoun	96.10%	92.00%	Humboldt	93.34%	84.58%	Poweshiek	91.87%	78.64%
Carroll	94.66%	84.88%	Ida	97.50%	93.11%	Ringgold	98.16%	90.80%
Cass	96.97%	91.11%	Iowa	94.32%	79.76%	Sac	98.17%	94.71%
Cedar	94.90%	81.41%	Jackson	96.12%	83.95%	Scott	90.36%	73.91%
Cerro Gordo	90.77%	80.64%	Jasper	94.72%	79.35%	Shelby	94.94%	86.08%
Cherokee	97.88%	91.13%	Jefferson	91.44%	81.75%	Sioux	94.26%	80.88%
Chickasaw	96.26%	87.23%	Johnson	83.24%	45.48%	Story	90.85%	56.78%
Clarke	96.84%	89.89%	Jones	94.65%	83.29%	Tama	97.49%	92.14%
Clay	92.98%	84.46%	Keokuk	99.10%	95.12%	Taylor	99.24%	98.35%
Clayton	95.30%	90.44%	Kossuth	96.92%	89.62%	Union	97.45%	93.79%
Clinton	97.04%	88.44%	Lee	96.44%	89.96%	Van Buren	98.95%	97.13%
Crawford	98.08%	91.83%	Linn	90.63%	67.89%	Wapello	97.13%	91.31%
Dallas	85.35%	35.17%	Louisa	98.38%	93.29%	Warren	89.19%	68.83%
Davis	95.55%	93.03%	Lucas	97.42%	92.65%	Washington	92.29%	82.07%
Decatur	99.02%	94.42%	Lyon	97.18%	90.92%	Wayne	98.55%	97.02%
Delaware	93.51%	83.04%	Madison	94.90%	77.46%	Webster	95.14%	87.96%
Des Moines	94.97%	86.13%	Mahaska	94.86%	86.44%	Winnebago	98.69%	92.78%
Dickinson	77.68%	62.10%	Marion	89.75%	75.12%	Winneshiek	91.22%	76.78%
Dubuque	91.87%	73.54%	Marshall	94.83%	86.60%	Woodbury	93.74%	81.82%
Emmet	98.60%	94.01%	Mills	88.45%	70.15%	Worth	97.32%	93.33%
Fayette	98.12%	92.41%	Mitchell	96.53%	90.65%	Wright	97.66%	93.18%

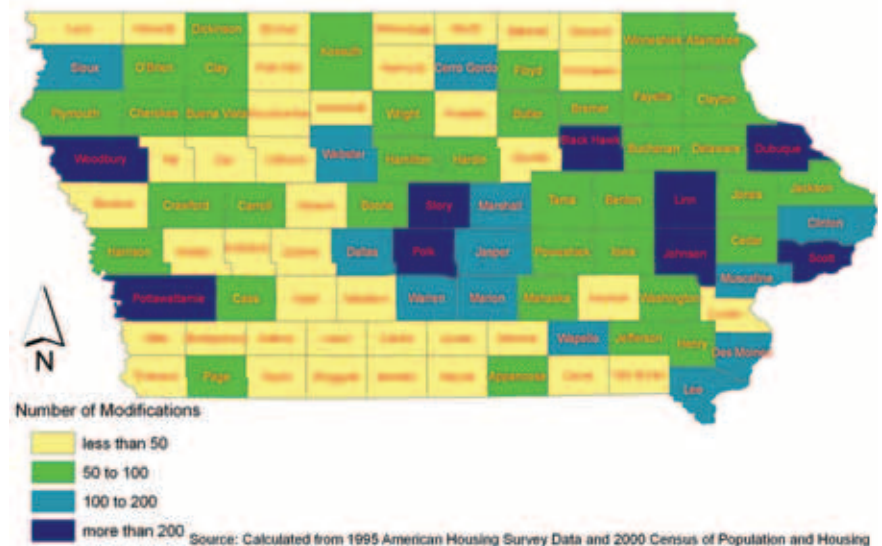
Appendix C: Estimating Unmet Needs for Home Modifications Among Households With Disabilities

People with physical activity limitations can have difficulty finding decent appropriate housing adapted to their needs. A majority of elderly people would prefer to remain in their own homes as long as possible; 90% of households aged 70 or older live in conventional housing (Joint Center for Housing Studies, 2000). Home modifications such as grab bars and other bathroom adaptations, ramps or widened doorways can help people age in place. For non-elderly people with physical disabilities, home modifications are equally important. The market for universally designed new homes is expected to grow as the baby boomer generation ages, but many needs may also be met by modifying existing homes. In a state like Iowa, where the housing stock is growing faster than the population and where new construction is less feasible in precisely the counties with the largest elderly populations, encouraging the reuse of existing homes through modifications is especially important. This section attempts to estimate the unmet demand for home modifications among elderly and non-elderly households with activity limitations.

Although the Census and the ACS estimate the number of people with activity limitations, unfortunately neither survey estimates the incidence of home modifications to accommodate people with disabilities. A special supplement to the 1995 American Housing Survey (AHS) did address this question, however, providing an estimate of both the incidence of, and unmet need for, several kinds of modifications. This offers a baseline for estimates, but the age of the data raises some concerns that it may overestimate needs by not taking into account modifications that have occurred since 1995. Some needs (such as those for telephones adapted for people with hearing disabilities) are likely to be much more widely met given technology advances in the recent past. Some modifications are relatively low cost (such as adding grab bars), while others (installing elevators or chair lifts) are likely to be major expenditures. The available data show the reported unmet need by type of modification, so that the same household may report more than one unmet need (for both grab bars and bathroom modifications, for instance).

We estimated the number of all unmet needs for home modifications based on household characteristics in 2000, the latest year for which we have data for all counties. We estimated a subset of “major” needs¹⁰ that would likely require a significant investment, which we show in Map C.1. Detailed county estimates provided for all households and elderly households only are shown in Table C.1.

MAP C.1:
Major Unmet Home Modification Needs, 2000



¹⁰“Major” modification needs included widened doors or hallways, ramps, easy-access bathrooms and kitchens, elevators or stair lifts, and modified cabinets. Other modification needs judged to involve much less investment included handrails or grab bars, door handles instead of knobs, push bars on doors, modified wall sockets or light switches, specially equipped telephones, flashing lights, raised lettering or braille, and other modifications.

TABLE C.1:

Estimated Need for Home Modifications, 2000

County	Major Unmet Needs for Elderly Households	Major Unmet Needs for All Households	County	Major Unmet Needs for Elderly Households	Major Unmet Needs for All Households	County	Major Unmet Needs for Elderly Households	Major Unmet Needs for All Households
Adair	28	32	Floyd	49	64	Monona	38	40
Adams	16	18	Franklin	32	41	Monroe	25	30
Allamakee	41	54	Fremont	25	30	Montgomery	36	46
Appanoose	42	55	Greene	34	40	Muscatine	81	150
Audubon	24	26	Grundy	35	47	O'Brien	45	57
Benton	62	92	Guthrie	37	44	Osceola	19	26
Black Hawk	282	469	Hamilton	48	63	Page	50	63
Boone	64	98	Hancock	33	45	Palo Alto	33	39
Bremer	58	84	Hardin	58	72	Plymouth	62	88
Buchanan	52	75	Harrison	43	58	Pocahontas	29	34
Buena Vista	50	71	Henry	45	72	Polk	663	1407
Butler	46	58	Howard	30	37	Pottawattamie	187	319
Calhoun	40	43	Humboldt	36	41	Poweshiek	47	70
Carroll	63	80	Ida	26	30	Ringgold	21	21
Cass	46	58	Iowa	41	58	Sac	38	45
Cedar	44	67	Jackson	54	76	Scott	291	588
Cerro Gordo	124	183	Jasper	92	139	Shelby	38	49
Cherokee	41	51	Jefferson	35	63	Sioux	73	101
Chickasaw	37	49	Johnson	130	416	Story	113	277
Clarke	26	34	Jones	49	71	Tama	49	66
Clay	50	68	Keokuk	37	43	Taylor	23	27
Clayton	52	70	Kossuth	54	66	Union	34	49
Clinton	121	190	Lee	102	143	Van Buren	25	30
Crawford	45	61	Linn	372	724	Wapello	97	139
Dallas	69	147	Louisa	26	43	Warren	75	139
Davis	22	30	Lucas	29	36	Washington	54	76
Decatur	24	31	Lyon	32	42	Wayne	24	27
Delaware	40	64	Madison	33	50	Webster	99	150
Des Moines	113	163	Mahaska	56	84	Winnebago	35	45
Dickinson	52	67	Marion	72	113	Winneshiek	55	73
Dubuque	189	318	Marshall	94	145	Woodbury	212	369
Emmet	32	42	Mills	31	50	Worth	24	31
Fayette	63	83	Mitchell	36	41	Wright	47	56

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