



Housing Trust Fund
of
Johnson County

2008

Housing Assistance Plan

I. INTRODUCTION

The mission of the Housing Trust Fund of Johnson County is to promote and support affordable housing. The organization supports affordable housing in Johnson County by providing a flexible and innovative source of funds to help finance projects that serve the housing needs of Johnson County residents. Trust Fund financing must target Johnson County households with income at or below 80% of the area median household level. The Trust Fund promotes affordable housing by working collaboratively with public and private entities to raise awareness regarding the important role that affordable housing plays in the economic and social development of communities.

II. HOUSING NEEDS IN JOHNSON COUNTY

Johnson County has a longstanding and well-documented need for affordable housing. The presence of the University of Iowa, the economic vitality of the Cedar Rapids/Iowa City corridor and a shortage of public funds for housing are among factors that make it difficult for many low income households to secure housing that does not put a strain on the household budget. Currently, the economic downturn experienced throughout the country and the disastrous flooding in eastern Iowa are also impacting the housing market. The long term impact that these more recent events will have on Johnson County is not yet known.

In 2007, the City of Iowa City hired a consultant to conduct a market analysis of affordable housing needs in the Iowa City metropolitan area. This report was completed in January, 2008. Many of the findings of that report will be used to define the current housing needs – although the analysis was unable to take into account the immediate economic conditions and the flooding which had yet to occur.

A. Homeownership

The population in Johnson County grew by 6.1% between 2000 and 2006, making it the fourth fastest growing county in Iowa during that time. In addition, household growth has exceeded population growth, paralleling national trends that are indicative of smaller households and smaller family size. These factors have contributed to creating a robust housing market.

Housing prices, however, have outpaced income. Real median household income in Iowa City, for instance, decreased 4.5% from \$42,694 in 2000 to \$40,772 in 2007. In contrast, the median sales price of housing increased 8.2% from \$134,000 in 2001 to \$165,000 in 2006, after adjusting for inflation. In 2007, the median sales price of housing in the Iowa City metropolitan area ranged from \$153,000 in the North Liberty/Tiffin/Oxford area to \$178,388 in Coralville. Based on these prices, a household would require a minimum income of \$50,650 in order to afford a home selling for the median sales price in the area. This is equivalent to 106% of the median household income for all of Johnson County in 2007.

Not surprisingly, low income households are directly impacted. More than half of all extremely low income home owners were cost burdened in 2000. Of the 712 extremely low income home owners, 400 were paying more than 50% of gross income on monthly housing costs. As income rose, the degree of cost burden declined. Among low income household with income between 50% and 80% of median, the rate of cost burden was as low as 5% in Coralville, Iowa City and North Liberty but as high as 14% in Tiffin and University Heights.

Anecdotal reports from bankers and realtors indicate that current economic conditions and stricter lending standards are making it more difficult for lower income individuals to obtain mortgage financing. Credit issues remain a significant barrier to homeownership to households across the economic spectrum, but low income households are particularly affected since it is more difficult for them to address the issues while continuing to provide household necessities.

The Iowa City Housing Authority operates three homeownership programs. Iowa Valley Habitat for Humanity and the Housing Fellowship also expand homeownership opportunities through their programs.

B. Permanent Rental

According to the Market Analysis, in 2000 Johnson County had 1,868 family renter households who were cost burdened, paying more than 30% of their gross income for monthly housing costs. An additional 227 family households were living in physically deficient units. According to the projections made by the study, the projected demand for rental units affordable to low income households is an additional 1,519 units between 2000 and 2012.

In Johnson County, the Fair Market Rent (FMR) for a two-bedroom apartment is \$708. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn \$2,360 monthly or \$28,320 annually. Assuming a 40 hour work week, 52 weeks per year, this level of income translates into a Housing Wage of \$13.62 per hour. Excluding households where the householder is younger than 25 years of age (i.e. student households), there are nearly 7,000 households in Johnson County with income of less than \$25,000.

In 2000 there were only 559 rental housing units identified as vacant, for rent and affordable to households at 80% or less of median. Of these, only 179 were affordable to extremely low income households. While these figures are dates, the market study found a remote possibility that this inventory had increased, or even remained stable, given the steep rise in housing prices since 2000. The Market Analysis estimated an aggregate demand of 742 units affordable to extremely low income households between 2000 and 2012. The Analysis also noted that almost half of the current affordable housing inventory is at risk for conversion to market rate housing. The term of affordability expires for nearly 600 units in Johnson County between 2007 and 2012.

Public housing provides some affordable rental units. The Iowa City Housing Authority has 81 units of public housing and administers 1,213 Housing Choice Vouchers. In 2007, another 1,600 households were on the waiting list for vouchers with high demand for one and two bedroom units. Nonprofit and for-profit developers use Low Income Housing Tax Credits, HOME and CDBG funds, as well as other public and private investments to develop and preserve affordable rental units.

C. Shelter and Transitional Housing

According to the 2005 Iowa Statewide Homeless Study, the City of Iowa City had 1,257 homeless individuals during the sample period and shelter providers turned away 79 individuals. Johnson County currently has approximately 110 beds/units of transitional housing and approximately 64 beds for emergency shelter, not including youth and substance abuse programs. The City of Iowa City's Consolidated Plan for Housing 2006-2010, notes that the area needs 94 additional beds for homeless individuals and 147 additional beds for homeless families. The Iowa City School District reports that over 300 students come from homeless families. Thus, emergency and transitional housing is a high priority need in Johnson County.

III. HOUSING TRUST FUND PROGRAMS

In response to the housing needs outlined above, HTFJC has worked to attract investments from a variety of public and private sources to create or administer programs that address needs across the housing continuum.

A. Revolving Loan Fund

The Trust Fund's revolving loan program has been the centerpiece of work done by the organization. The funds received from the State Housing Trust Fund, investments from local governments and some private contributions have all been used over the last four years to capitalize this loan fund. As the fund has grown, the organization has built a track record of investing in successful projects. As a result, HTFJC has been able to amend its funding criteria to provide greater flexibility to applicants so that the financing truly meets the needs of the particular project.

1. Timing and Level of Funding: The HTFJC Board of Directors determines the amount of funding available on a quarterly basis. The amount of funding depends on contributions to the Trust Fund, repayments received/anticipated and the expected disbursements of obligated funds.

The Board of Directors makes a determination of the level of anticipated funding at the business meetings in November, February, May, August. The Board may also determine whether the funds may be committed to long term or short term commitments or a mix of both. The Distribution Committee reviews the applications and makes funding recommendations to the Board. HTFJC will consider funding requests outside of this timeline if prospective applicants can show a compelling need and the funding otherwise promotes the goals of the Housing Trust Fund.

2. Eligible Applicants: Businesses, nonprofits and governmental entities are eligible to apply for financing. All applicants must have the capacity to complete the proposed projects. Applications from individuals for personal use will not be accepted.

3. Funding Determinations: Financing is only awarded for projects within Johnson County that serve households with income at or below 80% of the area median household income. HTFJC determines whether the proposed projects are financially feasible and reserves the right to reject any application that fails to meet that threshold.

In order to give HTFJC the maximum amount of flexibility in determining the projects to be funded, and to give applicants the ability to apply for funding that best suits the needs of their project, the HTFJC Board of Directors considers each application on a case by case basis.

Primary factors that are considered in reviewing every application include:

- The population served by the project. HTFJC will give preference to projects that serve lower income populations, especially those at or below 30% of area median household income.
- Other resources leveraged by the proposal. HTFJC will consider the amount of other public and private resources that will be invested in the project.

HTFJC seeks to provide funding to a variety of applicants to support a diverse spectrum of projects throughout Johnson County. Therefore, HTFJC also considers all proposals in light of current and past financing awarded and may give preference to projects that enhance the diversity of our funding.

As an organization, HTFJC must also ensure that financing is awarded in a financially prudent manner. Therefore, funding decisions, including terms agreed to by HTFJC, will depend on a variety of factors including of the level of risk involved in the project, the level of outstanding obligations and anticipated repayments and investments to the Trust Fund. General guidelines that are considered are included in the Appendix.

Finally, HTFJC considers whether or not the proposal provides a unique opportunity to help advance its mission to *promote* affordable housing in Johnson County.

4. Terms of Funding: Applicants are invited to propose the levels and terms of funding that best suit their projects. If the Board of Directors approves funding, HTFJC negotiates the final terms of the financing to be awarded. In general, shorter term (12-24 months), lower risk loans are subject to very low/zero interest rates. Longer term investments require a modest return to the Trust Fund. The level of return required depends on a number of factors including the amount of financing requested, the length of the term, financing already awarded to other projects, the level of investments to the Trust Fund anticipated, and current market conditions. HTFJC reserves the right to award more favorable terms to projects that target lower income residents.

Applicants are invited to propose the timeline which allows them to secure all other funding commitments and begin drawing HTFJC funds. The Board will use the proposed timeline in deciding whether or not to approve the funding. Failure of the applicant to secure commitments or begin the project as proposed are grounds for HTFJC to terminate the agreement so that funds can be used for other projects.

5. Process: Final determination of awards rests with the Board of Directors, but the Executive Director provides advice to prospective applicants regarding the anticipated level of funding that will be available and the terms the Board is likely to consider for approval.

Because the level and terms of funding is very flexible, applicants enhance the possibility of approval by working with Trust Fund staff to develop their proposal.

Upon submission, the applications are reviewed by the Executive Director and additional information may be requested. The Distribution Committee reviews the applications and makes funding recommendations to the Board. Applicants may be invited to attend the Distribution Committee meetings to answer questions about their project.

B. Rural Home Rehabilitation

In collaboration with the East Central Iowa Council of Governments (ECICOG) and Hills Bank, HTFJC administers an Affordable Housing Program grant through the Federal Home Loan Bank of Des Moines. This grant will provide forgivable loans to homeowners to assist with necessary repairs and remodeling needs. Eligible homeowners must be at or below 50% of Area Median Household Income and live within an area in Johnson County eligible for USDA Rural Housing Services (roughly all of Johnson County excluding Iowa City, Coralville and University Heights).

This grant will provide loans of \$5,000 to 20 homeowners and two loans of \$10,000. Previous experience has shown that the most common rehabilitation/repair activities including siding/exterior paint, window replacement, roof repair/replacement, plumbing and electrical updates, furnace replacement and foundation repairs. HTFJC works with the Johnson County Board of Supervisors and the Johnson County Council of Governments to facilitate the work of a Rural Advisory Committee which helps promote the program and explore other ways the Trust Fund can help address rural housing issues.

C. Other Grant-Funded Programs

HTFJC works to increase the resources available in Johnson County to address housing needs. Therefore, the Trust Fund has worked collaboratively to secure grant funding that is consistent with its mission.

1. Tenant Based Rental Assistance: In 2007, HTFJC received approval of a grant from the Iowa Department of Economic Development to provide tenant based rental assistance for elderly and disabled individuals who were on the waiting list for Housing Choice Vouchers. This assistance will ensure that approximately 40 of the most vulnerable individuals in our community access housing assistance.

2. United Way of Johnson County Community Priorities Grant: In 2007, HTFJC received a grant from the United Way to support a collaborative effort among housing and social service agencies to work together to improve intra-agency processes and help clients move toward self-sufficiency. The Housing Trust Fund contributed funds to this program as well.

First, the agencies met and discussed ways to improve how agencies work together to help clients access available resources and programs. While there are legal, practical and funding constraints that prevent agencies from streamlining some processes, the agencies agreed that more complete and timely knowledge of program criteria and availability would help agencies move clients more easily among various agency programs.

Second, each service agency has been granted \$2,000 which it is using to assist extremely low income clients with short term costs that prevent them from taking the next step toward obtaining stable, permanent housing. Agencies will follow-up with clients in six months to document whether they have been successful. Information obtained will help agencies identify the most common needs and how they can be met.

HTFJC has acted as the convener of this group and fiscal agent for the grant. An application has been submitted to request a renewal of the grant.

D. Specific Initiatives

HTFJC also dedicates funding when those funds can be used to respond to unusual circumstances or capitalize on unique opportunities. Examples of such funding include:

1. In the wake of tornados that caused extensive damage in 2006, HTFJC made a contribution to the United Way of Johnson County's disaster response fund to help low income victims with housing related expenses.
2. HTFJC committed matching funds to support the Community Priorities program described above.
3. Working in collaboration with the United Way and Crisis Center, HTFJC is currently assisting extremely low income households who were displaced by the floods of 2008. HTFJC is paying security and utility deposits for victims referred by the Crisis Center.
4. Also in 2008, HTFJC has offered a \$175,000 grant, called *Building for the Future*, to support a collaborative project in Johnson County. This grant is funded through funds repaid to the revolving loan fund and investments made by local businesses and HTFJC board members. The recipient of the grant will be announced in October, 2008.

D. Education and Awareness

HTFJC promotes affordable housing in Johnson County by working collaboratively to educate the public about the need for affordable housing and to advocate for greater understanding of the social and economic benefits of addressing housing needs.

HTFJC has hosted two housing summits. The first summit focused on affordable housing as a key component of economic development. The second summit reported on the results of state and local assessments of housing needs. Each summit was attended by over 100 community leaders representing businesses, nonprofits and state and local governments.

The Trust Fund was a member of an informal group representing homebuilders, realtors, housing providers and citizen interest groups that met for approximately a year and half to develop a joint statement which set forth areas of consensus with regard to addressing housing needs and issues in Johnson County. Distribution of that statement was delayed by the floods during the summer of 2008 but will be presented to local governments during the fall.

The Trust Fund also participated in the development of the Affordable Housing Market Study and has agreed to help facilitate a process by which the area local governments will consider the study's recommendations. This process was also delayed by the events of the summer but recommence in the fall.

IV. RESOURCE DEVELOPMENT

A continuing challenge for HTFJC is to secure enough investments through grants and donations to both provide a meaningful contribution to affordable housing initiatives while also stabilizing its own organizational operations. However, a growing number of community partnerships have helped the Trust Fund make significant progress on both fronts.

The State Housing Trust Fund has provided most of the funds used to capitalize the Trust Fund's revolving loan fund. Trust Fund staff and volunteers have worked with housing advocates across the state to help educate legislators on the importance of investments in housing for working Iowans, the elderly and disabled. In each of the last two years, the governments of Johnson County, Coralville and North Liberty have contributed a total of \$47,000. This year, Iowa City is making an investment of an additional \$10,000.

In 2008, HTFJC created the *Building for the Future* funding opportunity which augmented Trust Fund money with a portion of private contributions from local banks and developers as well as individual members of the Trust Fund Board of Directors. Those contributing to the *Building for the Future* initiative made three years pledges. Besides contributing to the grant fund, these moneys will help support the Trust Fund through 2010.

HTFJC pursues other grants, collaborations, investments and contributions to promote and support the preservation and creation of affordable housing in Johnson County.

V. COLLABORATIONS

HTFJC has forged collaborative relationships with businesses, nonprofits, community leaders and organizations to help further its mission to promote and support affordable housing in Johnson County.

As described in other parts of this plan, HTFJC has worked with the Iowa City Housing Authority, the East Central Iowa Council of Governments, the United Way of Johnson County, the communities of Iowa City, Coralville, North Liberty, many local businesses and the Johnson County Board of Supervisors to increase the funding that is available to support housing programs.

HTFJC seeks to build partnerships with many groups and leaders in Johnson County to help create greater understanding of housing issues affecting the community. For nearly two years, Trust Fund staff has been active in the informal coalition of private entities including homebuilders, realtors, nonprofits and citizen interest groups. Representing diverse interests within the community, the group was able to discuss areas of consensus and disagreement and prepare a joint statement for distribution to area city councils.

Following the release of the Affordable Housing Market Study, the Johnson County Council of Governments (JCCOG) created a task force to look at the recommendations of the study to determine if there were areas where the communities could work together on a regional basis on housing issues. HTFJC, with assistance and direction from the University of Iowa's Institute for Public Affairs, is coordinating the meetings of this task force.

VI. BENEFITS

The importance of stable, safe, decent housing to the health and well being of families, the educational attainment of children, and the stability of neighborhoods and communities is well established. In addition, the production and rehabilitation of homes creates significant economic opportunity for developers, contractors and others within the building trade and has an economic "ripple" through the community.

Between 2005 and 2007, HTFJC funding assisted with the construction and/or rehabilitation of four owner occupied homes in Johnson County and eight affordable rental units. These homes are in five different neighborhoods within two Johnson County communities. The total cost of these projects is over \$2.1 million, while HTFJC's investment was \$631,000. Twenty two children live in these 12 homes. Eight of the households have a female head of household while nine had household income that was below 30% of the median area household income. All of the projects have repaid their loans on time and in full and these funds are once again being offered through the revolving loan program. Additional homes have been completed in 2008.

Through the FHLB program, nineteen rural homeowners have received assistance with necessary repairs and improvements and a new grant will assist an additional twenty two. To date, eight extremely low income households displaced by flooding have been helped and that assistance is continuing. The tenant based rental assistance will mean that as many as 40 elderly and disabled individuals will not have to be on a waiting list to secure decent housing.

HTFJC provides funding and is involved in a number of initiatives specifically intended to meet the needs of extremely low income households in Johnson County. Nine of the fourteen units built or rehabilitated using Trust Fund financing are now occupied by extremely low income households. Direct assistance has been targeted to extremely low income households in the wake of the 2006 tornadoes and 2008 flooding. The United Way grant administered by HTFJC is providing shelter and transitional housing providers with flexible funds to help extremely low income individuals and families obtain or maintain stable housing. While the tenant based rental assistance is just getting underway, it appears that a number of the program participants are extremely low income, disabled individuals who are moving from homelessness to permanent rental units.

As a result of funds secured and distributed by HTFJC, families and individuals own or rent quality, affordable homes or have been able to make necessary repairs, nonprofits have completed projects in more cost effective ways, and public and private entities have worked together to address housing needs.

VI. CONCLUSION

The Housing Trust Fund of Johnson County strives to support the whole continuum of housing needs in Johnson County by working collaboratively with public and private entities to expand the resources available to create and preserve affordable housing opportunities for residents of Johnson County. As a private nonprofit, HTFJC is uniquely able to respond to changing market conditions and opportunities. The Board of Directors of the Housing Trust Fund will continue to explore new ways to fulfill our mission to promote and support affordable housing.

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