Iowa's
Local Housing Trust Funds

Strengths, Challenges, and Opportunities

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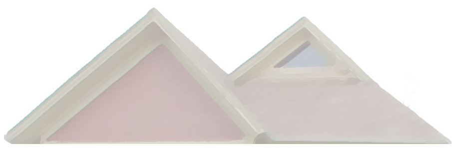


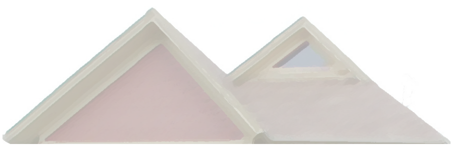
This report examines the Local Housing Trust Fund (LHTF) program in the State of Iowa as part of a study commissioned by the Iowa Finance Authority (IFA). The Iowa Legislature created the State Housing Trust Fund in 2003 to provide financial assistance for housing projects related to the development and preservation of affordable housing for low-income households in the state. The purpose of this study is to better understand the impact of LHTFs on housing initiatives across Iowa.

...we conducted in-depth interviews with LHTF administrators and/or board members of all the LHTFs in the state.

Information used in this report was gathered in three phases. The first involved the analysis of socio-economic and demographic data to understand trends in housing needs and availability across the state of Iowa. Second, we obtained the Housing Assistance Plans (HAPs) and Organization Bylaws from each of the state's 24 LHTFs. These documents provided basic background information about each LHTF. Finally, we conducted in-depth interviews with LHTF administrators and/or board members of all the LHTFs in the state. The purpose of the interviews was to solicit information and perceptions about fund allocation, decision-making and operational issues. Interviews were generally between forty-five minutes to one and a half hours in length. An interview guide was used to direct the conversation. Interviews were transcribed verbatim and analyzed for content.

This report provides an overview and analysis of the local housing trust fund program in the State of Iowa. We begin with a summary of the current LHTF program. This is followed by a discussion of variations in the LHTFs across the state in terms of geography, population, and funding. We highlight differences in organizational structure both operationally as well as in terms of the funding targets. We then examine some of the implications of the way local administrators make decisions about the kinds of affordable housing programs to support. We conclude with a few recommendations for future research that should be undertaken to better understand the impact the trust fund program has had on the condition of affordable housing in Iowa.

Background of the Local Housing Trust Fund Program



Iowa has been experiencing a broad population shift from rural places to urban areas

Between 1990 and 2010, the majority of the counties in Iowa lost population. This population decline has happened most rapidly in rural areas where employment opportunities are lacking. Thus, Iowa has been experiencing a broad population shift from rural places to urban areas, where greater opportunities exist for employment, access to critical services, and social and cultural activities. While poverty rates statewide had decreased from 1997 until 2000, beginning in 2001 and continuing through 2008 (last available date) the percent of people in poverty in Iowa increased significantly in all LHTF service areas. Figure 1 shows poverty trends across the state, while Table 1 compares change in population alongside change in the number of people living in poverty in each LHTF service area. As poverty increases, we expect the demand for affordable housing to also increase, as more lower income households become housing burdened - spending more than 30% of gross household income on housing.

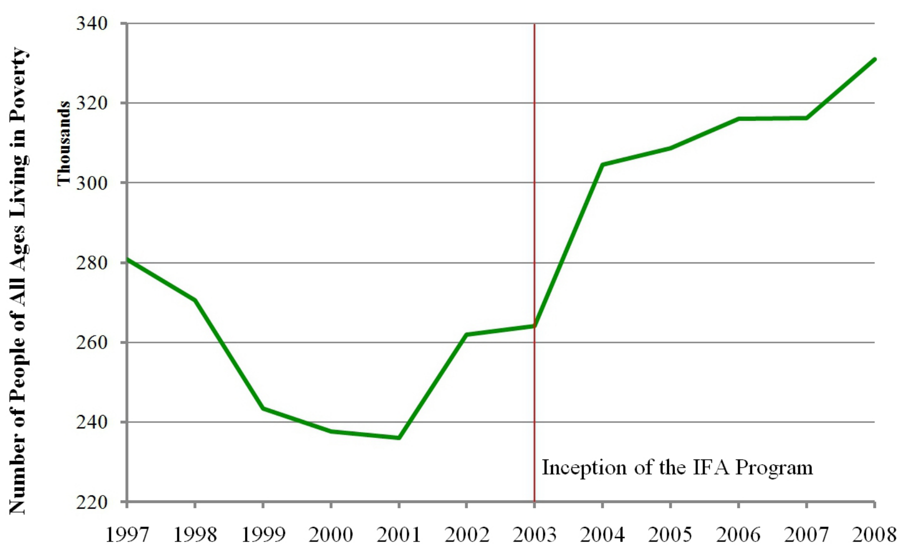


Figure 1 - People Of All Ages In Poverty In The State Of Iowa

Table 1 - Number Of People In LHTF Service Areas Living In Poverty

LOCAL HOUSING TRUST FUNDS	CHANGE IN POPULATION 2001-2008	CHANGE IN POVERTY 2001-2008
COG Housing Inc	-4.9%	+8.3%
Lakes CLT	+1.0%	+16.6%
Homeward HF	-6.4%	+18.7%
Northwest Iowa RHTF	-2.9%	+19.2%
Floyd County HTF	-3.5%	+21.0%
Southern Iowa COGHTF	-1.8%	+21.4%
Northeast Iowa RHTF	-2.8%	+22.3%
Chariton Valley RHTF	-4.3%	+23.4%
AHEAD RHTF	-2.2%	+23.6%
Fayette County HTF	-6.6%	+28.9%
Region VI HTF	-2.2%	+34.5%
East Central Iowa HTF	+1.8%	+35.2%
Scott HC & Muscatine HC	+3.4%	+36.0%
Great River HTF	-3.4%	+36.1%
Clay County HTF	-3.7%	+40.2%
Polk County HTF	+11.0%	+55.3%
HF for Linn County	+7.0%	+63.0%
Dallas County HTF	+40.4%	+86.7%
HTF of Johnson County	+12.5%	+99.2%

The Iowa General Assembly responded by creating a state housing trust fund in 2003 to help provide affordable housing in Iowa

The erosion of direct federal support for housing has compelled the states to assume an increasingly important role in the provision of affordable housing in the United States. The Iowa General Assembly responded by creating a state housing trust fund in 2003 to help provide affordable housing in Iowa. Iowa's trust fund was designed to serve a state with a population that is relatively evenly split between urban and rural. The legislation simply stated that the Iowa trust fund would "provide assistance for housing projects." (Iowa Code Section 16.181) The Iowa legislation created two programs to help improve the supply of affordable housing in Iowa: the Local Housing Trust Fund (LHTF) Program and the Project-Based Housing Program. The Iowa Finance Authority was charged with overseeing and administering these programs.

Designed to stimulate the production of affordable housing across the state of Iowa, the trust fund targets households at or below 80% of Iowa's Median Household Income (MHI). This was $40,338 in 2009. The program also mandates that at least 30% of the trust fund money must be directed to households that are at or below 30% of the state's MHI ($15,127 in 2009). The implication of these policies is that households earning 80% or less of the state's MHI are often unable to afford decent housing, and are the most likely segment of the population to become housing burdened.

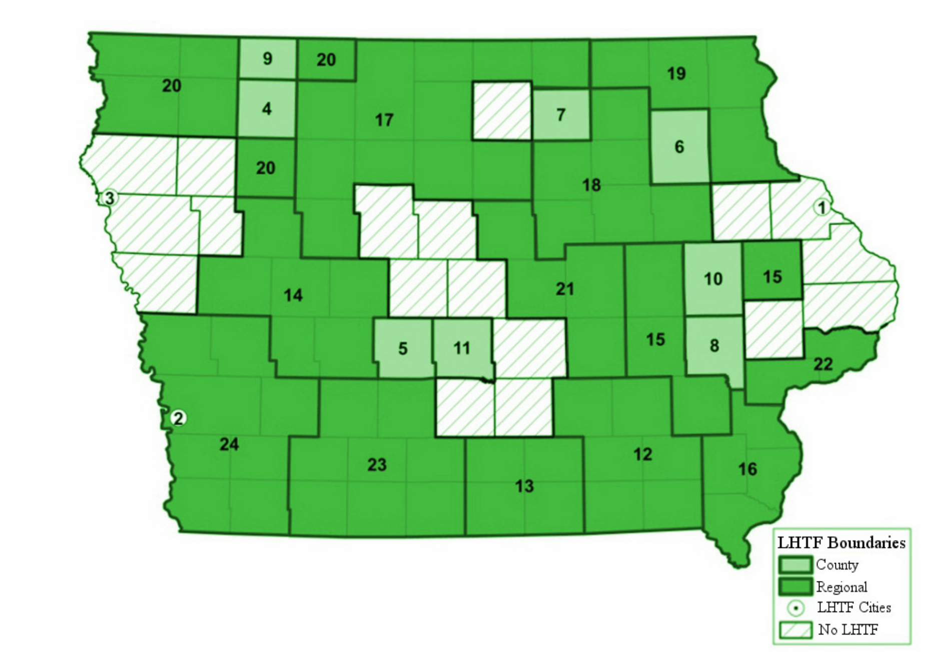


Figure 2 - Local Housing Trust Fund Map

When the state trust fund began in 2003, several cities and counties had pre-existing housing trust funds (Table 2 and Figure 2). Those funds varied in form and size, but most were designed to provide funding to improve and expand the supply of affordable housing within a small area – a single city or county. After the state's program became operational, most of the existing local trust funds became affiliated with the state program.

Under the initial rules set forth by Iowa's trust fund legislation, a local trust fund could be organized at several different geographic levels. Funds could be established to work in a single city, a single county, a group of cities, a group of counties, a combination of cities and counties, or a council of governments (COG). Indeed, most early LHTFs were organized to operate at a relatively small geographic scale, usually at the city or county level rather than at the level of several neighboring counties or a COG.

Over time, the geography of the LHTFs changed due to modification in state funding rules. After the 2004 funding cycle, IFA changed the funding rules to encourage local trust funds to operate on a larger geographic scale. Under the revised guidelines, a minimum population threshold was set for city-based local trust funds – they could only be established in cities with a population of 10,000 or more. Single county, multi-county, and COG based funds were unaffected by the change.

Table 2 - Local Housing Trust Funds

TYPE	MAP NUMBER	NUMBER OF COUNTIES	NAME OF THE HOUSING TRUST FUND	YEAR OF INCEPTION	POPULATION SERVICED (2009)
city	1		City of Dubuque Housing Trust Fund	1992	57,637
	2		Council Bluffs Housing Trust Fund, Inc.	2010	62,230
	3		Sioux City Local Housing Trust Fund	2006	82,684
County	4		Clay County Local Housing Trust Fund, Inc.	2008	16,617
	5		Dallas County Local Housing Trust Fund, Inc.	2004	61,950
	6		Fayette County Local Housing Trust Fund	2007	20,164
	7		Floyd County Housing Trust Fund	2005	15,910
	8		Housing Trust Fund of Johnson County	2003	131,005
	9		Lakes Community Land Trust	2005	16,623
	10		Housing Fund for Linn County	2007	209,226
	11		Polk County Housing Trust Fund	1996	429,439
Regional	12	6	AHEAD Regional Housing Trust Fund	2010	99,609
	13	4	Chariton Valley Regional Housing Trust Fund	2010	35,709
	14	6	Council of Governments Housing, Inc.	2004	73,265
	15	4	East Central Iowa Housing Trust Fund	2010	84,167
	16	4	Great River Housing, Inc.	2010	107,679
	17	11	Homeward Housing Trust Fund	2005	114,149
	18	6	Iowa Northland Regional Housing Council	1998	104,515
	19	4	Northeast Iowa Regional Housing Trust Fund	2009	61,909
	20	6	Northwest Iowa Regional Housing Trust Fund Inc.	2009	93,530
	21	4	Region 6 Housing Trust Fund	2009	92,203
	22	2	Scott County Housing Council & Muscatine Housing Cluster	2003	209,584
	23	8	Southern Iowa COG Housing Trust Fund	2006	67,535
	24	8	Southwest Iowa Housing Trust Fund	2005	119,279

In July 2009, IFA again revised trust fund certification requirements to require a higher population and geographic threshold for local funds. Under the revised rules, to receive certification, all new local trust funds had to cover a geographic area that included one of the following: (a) an Entitlement City; (b) a county or counties in which an Entitlement City is located and the Entitlement City will be a part of the geographic area to be served by the LHTF; (c) one or more COG regions as identified by Iowa Code. The level of funding each individual trust fund is eligible for is based on its geographic extent as well as the total population of the area. Funding levels are set annually and vary depending on the amount of funds available in a given fiscal year, In FY 2012, threshold funding levels were as follows:

- Single county/city without an entitlement city - $30,000
- Regional (any size), based on COG boundaries - $145,000
- Entitlement city - $75,000
- Entitlement city/county – $95,000

PLUS

- Total service area population - $1 per capita

The number of LHTFs across the state has increased over the past twenty years [Figure 3]. While there are still several areas in the central part of the state that are not yet covered by a LHTF, the extent of coverage has increased dramatically since 2003. The Iowa State University Extension Community and Economic Development contributed to this spread

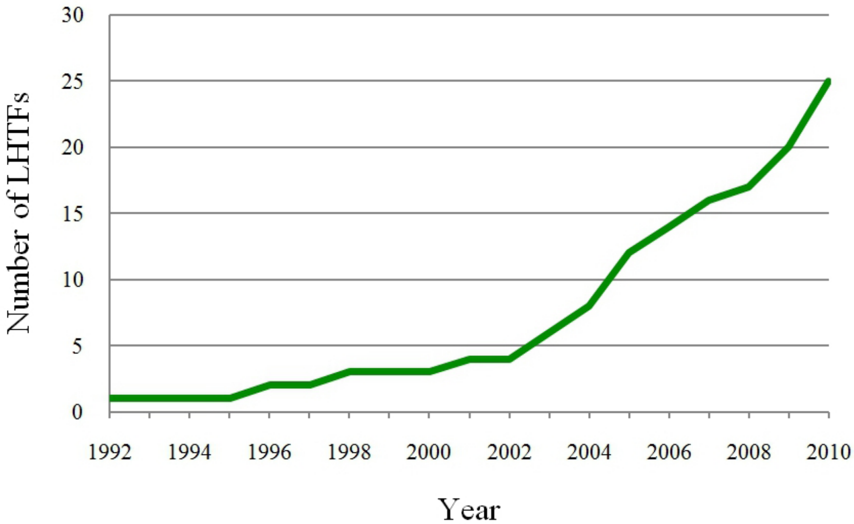


Figure 3 - Number of Local Housing Trust Funds In Iowa

by providing dedicated staff who work with local governments to encourage and support the initiation of new LHTFs. Currently, there are twenty-four recognized LHTFs working in eighty-one of Iowa's ninety-nine counties plus three additional entitlement cities. Three of the LHTFs are organized as city housing trust funds; eight are organized as county housing trust funds, and the remaining thirteen are organized on a regional scale. The regional LHTFs range in size from two counties to eleven counties. The size of the population served by the local housing trust funds ranges from Floyd County, with a population of 15,910, to Polk County with a population of 429,439 (see Table 2 for complete details).

Beyond meeting basic population and geographic requirements, an organization establishing a local trust fund must also meet several organizational requirements in order to be recognized by IFA as a certified LHTF and receive state money. These requirements ensure that local trust funds adhere to a basic structure consistent throughout the state.

The organizational requirements include:

1. Creation of a governing board that is recognized by the jurisdiction or group of jurisdictions that it serves through the passage of resolutions providing support for the LHTF
2. Adoption of organizational bylaws (Articles of Incorporation, Bylaws, mission statement focusing on affordable housing, IRS 501c3 status letter, information about board of directors)
3. Compliance with Iowa's Open Meetings Law and Open Records Act
4. Submission of a housing assistance plan documenting the needs and intended activities of the LHTF
5. Scheduling an open meeting for public comment at least once a year

Under IFA's existing rules, the governing board must play an active role in the administration of local trust funds. The board is supposed to set policy direction for the trust fund, oversee its activities, direct the distribution of funds, and approve expenditures. Thus the composition of the board is important, but its composition is not determined by the state. IFA's rules simply cap the number of elected officials at 50%; the remaining members of the board can be comprised as local conditions dictate. Ideally, boards should include a range of elected officials, representatives of local service providers, bankers, lawyers, and citizen representatives. Local trust funds are free to determine the size of their board of directors. Presently, the size of the governing boards of LHTFs in Iowa ranges from four to twenty-one members. Most variation in size is due to geography and population. For example, most regional housing trust funds have relatively large boards, because they include representatives from each jurisdiction involved. Urban trust funds also tend to have large boards because of the intensity of housing need and the density of housing assistance organizations.

How the LHTF Program Works

The following sections discuss the way LHTFs operate in Iowa. The sections are divided by topic and include information gleaned by review of HAP reports and interviews with LHTF administrators. Findings are grouped by topics derived from analysis of interviews: housing need, strategies for service delivery, fund distribution, partnerships with agencies, leveraging funds, population served, trust fund staff, and types of projects.

Housing Need

Iowa's local housing trust fund legislation allows each individual LHTF to identify area needs and devise programs to meet those needs, rather than mandating programs that may not be appropriate for every LHTF area. This flexibility is important because housing needs vary across the state depending on population, housing stock, and number of support services in the area. The LHTF program is set up so that each LHTF can determine the needs of its service area. At the state level, IFA has basic operational requirements for maintaining accreditation that local trust funds must follow. The key operational requirements, and how each trust fund plans to meet them, are documented in the housing assistance plan (HAP). They include:

The LHTF program is set up so that each LHTF can determine the needs of its service area

1. Each LHTF must only use state dollars to fund programs that benefit households earning at or below 80% of the state or local median household income. (Local match can benefit households > 80% AMI.)
2. Each LHTF must direct at least 30% of their LHTF Program funds to assist households at or below 30% of the state or local median household income.
3. Each LHTF must write an annual Housing Assistance Plan (HAP) that demonstrates the needs of the population within the LHTF service area and provides justification and direction for housing activities and fund distribution.

The housing assistance plans should document the overall housing need in a community as well as provide justification for proposed LHTF activities. Generally, the HAP provides demographic information about the service area's economy and population as well as information about the housing stock and housing needs.

Within those broad parameters, each HAP is different. While there is a limit of ten pages, HAPs vary in scope and detail. Some provide only a minimum amount of Census data while others contain a wider of array of evidence, including data provided by city housing agencies, waiting lists for approved Section 8 housing, calls to the COG seeking assistance, or information collected through windshield surveys or community assessments. Data availability often determine the number of sources used in compiling individual HAPs.

Iowa's LHTFs use several approaches to measure housing need.

Iowa's LHTFs use several approaches to measure housing need. The most common way of estimating need is to analyze data from the Census of Population and Housing. The variables used in many HAPs include household income, value of housing unit, and age of housing unit. Because of the geographic detail and reliability of data obtained from the Census, this information can provide a good picture of population demographics and the housing stock, even at a relatively small scale. However, Census data does not adequately capture the quality or condition of housing. To accurately gauge housing quality, LHTF administrators often supplement Census data with information gathered from windshield surveys of housing conditions in their service area. Measuring demand is considerably more difficult. To gauge demand, LHTF administrators often use administrative data, Section 8 waiting lists, informal knowledge networks, and word of mouth.

Strategies for Service Delivery

Interviews with LHTF administrators revealed three primary strategies for service delivery: direct assistance to individual households, geographically targeted assistance based on neighborhood boundaries, and assistance to service providers only and not directly to households.

In direct assistance, LHTF staff work directly with households needing housing assistance. Engagement between LHTF staff and households be-

Direct assistance typically requires long-term involvement on the part of LHTF staff.

gins with the application for assistance, and extends through the completion of the project, and includes determining the scope of assistance, negotiating with building contractors, overseeing construction progress, and final inspection. Such direct assistance typically requires long-term involvement on the part of LHTF staff. While the benefits of sustained engagement with needy households likely smooths the process, and perhaps produces a better outcome, the time demands on administrators can be significant. The administrator of a rural, COG-based, regional housing trust fund described the process flow of direct assistance as a series of small steps, but cumulatively time consuming:

"[W]e…receive the applications at our agency, and then we determine the eligibility, we do an income verification on their application, we ask them… for information regarding their income, their assets…and we ask them to attach that information with their application when they return it to us. Nine times out of ten, we don't get all of that information… so we have to contact them… explain that we need the latest copy of their bank statements, or a copy of their loan to deed, or something like that… all of their income information and asset information is verified, we can determine which category they… fall into, the under thirty percent or thirty one to eighty percent."

A second, but somewhat less common method of service delivery involves targeting a specific neighborhood for investment. In these cases, the LHTF directs most, if not all, of their annual funds to housing projects within a single or a small number of neighborhoods. This approach tends to be used by city-based LHTFs, which by design focus on a compact geographic area. An administrator of one of the city-based trust funds described the decision to focus on a specific neighborhood as part of an attempt to better leverage available monies:

"[O]ur money was being spread out and we weren't really seeing any impact and we wanted to really focus on an area so we chose a neighborhood… which [has] …high poverty rates, and high rental… Very little home ownership and we wanted to increase home ownership. Thought that it would help the neighborhood… we were improving infrastructure - sewer, water, streets - tore some buildings down, put up a park."

The major third strategy for service delivery is indirect assistance. Trust funds doing indirect assistance do not work directly with, or fund, individual households, but rather distribute their funds to local housing service providers, such as community development corporations (CDCs), shelters, and emergency housing assistance agencies. During an interview with an LHTF administrator of an urban, county-based housing trust fund, the administrator explained that by assisting other housing service providers LHTF funds could be indirectly expended on a wide range of projects, which extended the reach of the trust fund's money and its capacity.

"[It] depends on what the agency does – [one agency we work with] runs transitional housing for single parents trying to get their life back together after coming out of a correctional facility or dealing with substance abuse…people are not necessarily walking in their doors and saying 'I need help' … [At another agency] it could be a case that if a homeowner has repairs and they can't get a conventional loan, they can go to [that agency] and get a loan to do repairs."

While indirect assistance requires less administrative effort, the presence of capable local service agencies is critical for success. While such housing assistance groups are common in larger urban areas they are often absent in rural places. As one administrator of a LHTF based in a rural area explained,

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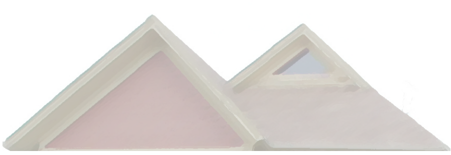
"[W]hen the housing trust fund first started, their [IFA] full intention was for [the money] to go to a central headquarters and then divvy it out to different agencies, and that might work in the cities, or… in a more urban area, but in the rural area where we're one of the few [in] housing…we still collaborate with the other agencies that work with housing…I think it works just fine in our rural area, the way we work… directly with the homeowner, and I would not want to see that changed."

The administrators suggested that direct assistance is the most widely used strategy. This is likely a reflection of the prevalence of rural-based trust funds. Yet the interviews also revealed that most LHTFs try to employ a combination of service delivery methods that vary depending on the perceived housing need and available funds. Only trust funds in urban or rural areas tended to adhere to only one form of service delivery.



Fund Distribution Process

The interviews revealed several methods by which LHTF administrators and boards decide how to distribute money. Funding distribution methods described in the interviews include "first come, first serve," distribution based on rankings, and consensus. Perhaps the most common method reported was "first come, first serve." Under this arrangement, projects are considered for funding in the order in which they are received, as long as the applicant meets the LHTF's minimum qualifications for receiving funds. An LHTF administrator of a rural, county-based LHTF valued this approach because it doesn't "give special priority to any specific projects," and thus allows need to drive the distribution of funds and avoid the problem of showing preference for one project over another. Another benefit of this approach is that most applicants that ask for assistance do eventually receive assistance. The downside is that since there is no formal prioritization or ranking, it may take many months for a worthy project to get funded, or as the administrator of a rural, regional housing trust fund put it, "we tell them, we will put them on the list and it might be 2 or 3 years before we can get to them." Because of the prevalence of emergency needs, such as furnace repair in the mid-winter, most LHTFs that use a first-come, first-serve approach also reported setting aside a small amount of money each year to cover emergency projects. Those that had no emergency fund had a policy of referring households to agencies that do provide emergency funding.

The second most common approach for determining funding is a ranking system based on a pre-established set of criteria. Administrators of LHTFs that rank projects reported being much more selective in the distribution of funds, and rejecting proposals when the benefits were not clear. Practically, this means that fewer projects are funded each cycle, but those that are funded are perceived to be more likely to ensure efficient distributions of scarce housing dollars. One LHTF administrator of a rural, regional housing trust fund explained why her governing board switched from a "first come, first serve" system to a ranking system, as well as how the fund actually ranks projects.

"Our focus is owner-occupied housing rehab, that's where we see all our advocates basically coming from… we decided we needed more of a system than a first-come, first-serve because we had such an overwhelming response so what we put into place was a ranking system. We look at their income, assets, and also look at what project they want funded. If they want a roof, we consider that a number one priority... We give ten points for that. Windows, we give seven points. All other projects, five points. Of course, the lower income they are, the higher points they get, but if they have liquid assets that they can use, then we deduct points from there."

Among the many different ways of ranking projects, administrators explained that LHTF governing boards will sometimes decide to emphasize a particular kind of project during a funding cycle, which means that projects that meet those criteria are ranked higher and thus stand a greater chance of receiving funding. Several administrators acknowledged that funding priorities change over time, reflecting the preferences of the governing board, the influence of the administrator, and the demand for services.

While the approaches to distributing funds differ, the interviews did not reveal a clear advantage for one approach over another. In fact, the different strategies seem to be a response to different on-the-ground conditions.

A third approach for distributing funding was described by several administrators as collaboration and consensus building, a strategy that promises a fair way to determine which projects should be funded and which should not. The interviews reveal that this approach is used mostly by LHTFs that work directly with service providers, especially those in larger urban areas. In these instances, local service providers first submit requests for funding, and then LHTF board members meet in an open forum to discuss the merits of projects and reach consensus on how much funding each applicant should receive based on money available for the year. An administrator from a county-based LHTF explained part of the process:

"[The LHTF board] determines how many dollars each organization gets and we do that in a consensus format. We negotiate around the table with each stakeholder to determine how much money each stakeholder will get."

While the approaches to distributing funds differ, the interviews did not reveal a clear advantage for one approach over another. In fact, the different strategies seem to be a response to different on-the-ground conditions. In urban places where the number of housing service providers is large and the administrators tightly networked, consensus building works. Conversely, in rural places, where requests for service come from individual households, a system of evaluating projects might create rancor among perceived winners and losers. These different approaches underscore the variation within the LHTF program.

Partnering Agencies

The interviews uncovered details about the different agencies that trust funds have partnered with to complete projects. The interviews suggested that trust funds have forged a wide variety of partnerships and relationships, but the density of these partnerships varies depending on geographic setting and staff capacity. For example, administrators of LHTFs that only fund service providers reported having many partnerships with other service agencies. These trust funds also tend to be located in urban areas, where service agencies are relatively abundant. Rural regional trust fund administrators generally reported fewer partnerships, partly due to the relative absence of potential partners.

One example of a partnership is when an LHTF distributes money to a housing agency to support a particular project. The LHTF provides the funds but the organization runs the project. For example, a number of administrators reported collaborating with Habitat for Humanity to build single-family homes.

Another example of a partnership is when a LHTF acts as an umbrella organization in order to support a grant for a group of service agencies. An administrator of an LHTF that regularly receives funding from gambling revenues explained how collaboration with other agencies was critical to receiving these funds:

"United Way and the Riverboat Development Authority… wanted to… get organizations with similar interests to form collaborations…. It's not a case that these agencies were competing but they were working together and then that is how they would funnel their monies."

By forming a partnership with several other area-housing organizations, the trust fund has been able to increase both the likelihood and amount of leveraged funding received on a yearly basis.

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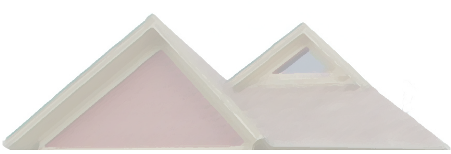
Several administrators described how they partner with community action agencies to expand the breadth of repairs that can be completed for each project. An administrator from a rural regional housing trust fund explains this partnership as both one of leveraging resources as well as a way to avoid throwing good money after bad.

"One reason we decided to target roofs for the RHTF is, [homeowners] can't utilize the weatherization program [through the CAP] if they have a roof that leaks and what we were finding was, unless we fixed these roofs, they can't utilize the other services out there….Yeah, and…I guess we look at this too, if the roof is leaking, and, and it's gonna ruin the rest of the interior, and at that point there's not enough funds available to [renovate it]."

Some LHTF administrators reported partnering with agencies that provide very specialized services. For example a rural trust fund administrator described how they partnered with a local community college to provide classes for first-time homebuyers about maintaining and caring for their homes. Another LHTF administrator talked about how her fund works with a non-profit that advocates for the disabled. As a result of this partnership the LHTF was working to create a program to help disabled individuals build their credit in order to eventually gain housing independence.



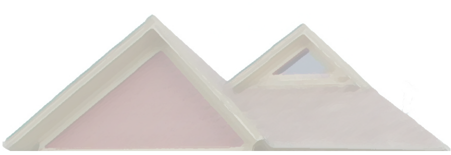
Leveraging /Matching Funds

One of the basic requirements for an organization to receive IFA funding is procuring a minimum local match of at least 25% of the total funding awarded. Conversations with LHTF administrators showed that some trust funds struggle to generate the minimum match requirements while others effectively leverage local sources to go far beyond the minimum. The interviews also revealed that while most LHTFs get at least some of their annual funding from the cities and counties in which they operate, several LHTF administrators described creative funding strategies that help to stretch their IFA dollars.

The administrator interviews showed that thus far, every existing LHTF has been able to meet its minimum match, but there are significant differences in the sources of funding that make up that match. Many administrators described using funding from programs such as the Federal Home Loan Bank as matching dollars. Other administrators reported attracting funding from a wide range of local and private sources, including local businesses, community foundations, gaming and racing funds, and private individuals and banks. Rural regional trust fund administrators reported more reliance on each of the participating counties or the hosting COG to provide a major share of the matching funds for the IFA money. Several administrators reported receiving funding only from city or county governments, and no financial support from other local sources. When describing the importance of match provided by the governing councils of the counties in his areas, an administrator from a "very rural" regional fund claimed that "[He] doesn't know where else the money's going to come from, to be honest ... It's about the only source of funds that would reasonably work."

The two other sources of funding often mentioned as sources of leveraging funds by many administrators were Community Development Block Grant (CDBG) funds and Federal Home Loan Bank (FHLB) funds. One administrator explained how he was able to use FHLB funds to bolster the required match:

R: "We have the Federal Home Loan Bank, [the] homebuyer assistance program…"
I: "Are you ever leveraging IFA with that?"
R: "Yeah we do. What we'll do - because the Federal Home Loan Bank… offers homebuyers systems and it also has a rehab component… Then it has some additional monies for rehab and we'll tie back into…the IFA funds and we've done that with the USDA, we had a housing preservation grant from the USDA, and oftentimes…we could go up to $10,000 per person."



Iowa has a larger share of elderly population compared with the total United States population.

Populations Served

As already indicated, Iowa's LHTFs must target households at or below 80% of the state's median household income, and they must allocate at least 30% of their annual SHTF dollars to households earning 30% or less of the state's median household income. The administrator interviews indicated that most LHTFs do not prioritize any specific demographic groups; rather they assist anyone that falls into the required income brackets and requests assistance. However, the administrator interviews did identify a few population groups that seem to receive more attention from housing trust fund programs. The specific groups most often mentioned in the interviews as receiving attention include elderly

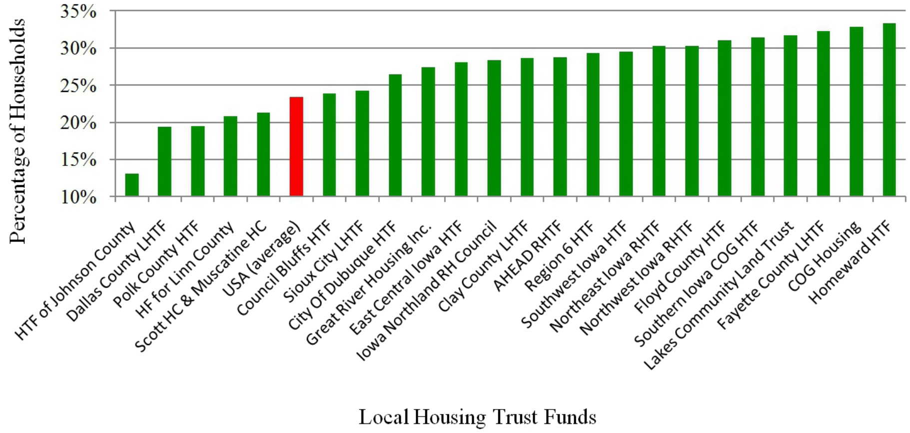


Figure 4 - Percentage Of Households With a Person 65 Or Older In LHTF Service Area

homeowners; the disabled (who are also often elderly); and families with young children.

Iowa has a larger share of elderly population compared with the total United States population. As Figure 4 shows, in most LHTF service areas in Iowa, at least 25% of the households include an adult 65 years and older. In the interviews, trust fund administrators frequently noted that many applicants for housing assistance are elderly adults managing on little more than their social security benefits. Several administrators observed that seniors seem to be among the state's most needy residents. Because of their fixed incomes they are often unable to afford capital investments in their housing units. During a conversation with the co-administrators of a rural, county-based LHTF, they explained the range of households they had encountered:

R1: "Elderly and single woman, and a lot of folks on disability income…"
R2:" And we've been surprised at the kind of information that comes back, as we've looked at the all applications, at least I have been surprised. I didn't realize that we have some elderly ladies out here, and I'm going to say seventy five and above that are living on absolutely nothing..."

In spite of their modest incomes, Iowa's low-income elderly still apparently manage to maintain ownership of their housing units. One administrator explained this seemingly contradictory condition as an artifact of a population aging in place.

"[The house] was, most likely, inherited when their husband passed away, and it was paid for. [Living] on sixteen thousand or less… and you wouldn't recognize it by seeing them on the street. But I remember one home that I would never have guessed it was as bad as shape as it was

just by driving past it. They need a roof; they need a furnace…sad."

Another administrator echoed this idea:

"Yeah, it's just because of the affordability, it wasn't because they didn't have the wherefore all for upkeep, they just didn't have the funds."

Indeed, respondents indicated that the most common forms of assistance provided to the elderly include capital repair and rehabilitation projects (furnace, roof, etc.) along with modifications related to physical handicaps, like wheelchair ramps and stair railings. Several administrators suggested that the money provided through the LHTF program has played an important role in helping seniors remain in their homes longer than they might have otherwise.

Several administrators mentioned young families with children as another population segment that often applied for trust fund assistance. The demand for affordable housing from families with children under age 18 has likely increased across the state, as Census data shows a recent uptick in the number of family households reporting below poverty wages (Figure 5). Administrators reported that most of the requests they field seem to be for help with down payment assistance and rehabilitation and repair of existing housing units. Describing how requests for down payment assistance are conveyed, a housing administrator from a rural, regional,

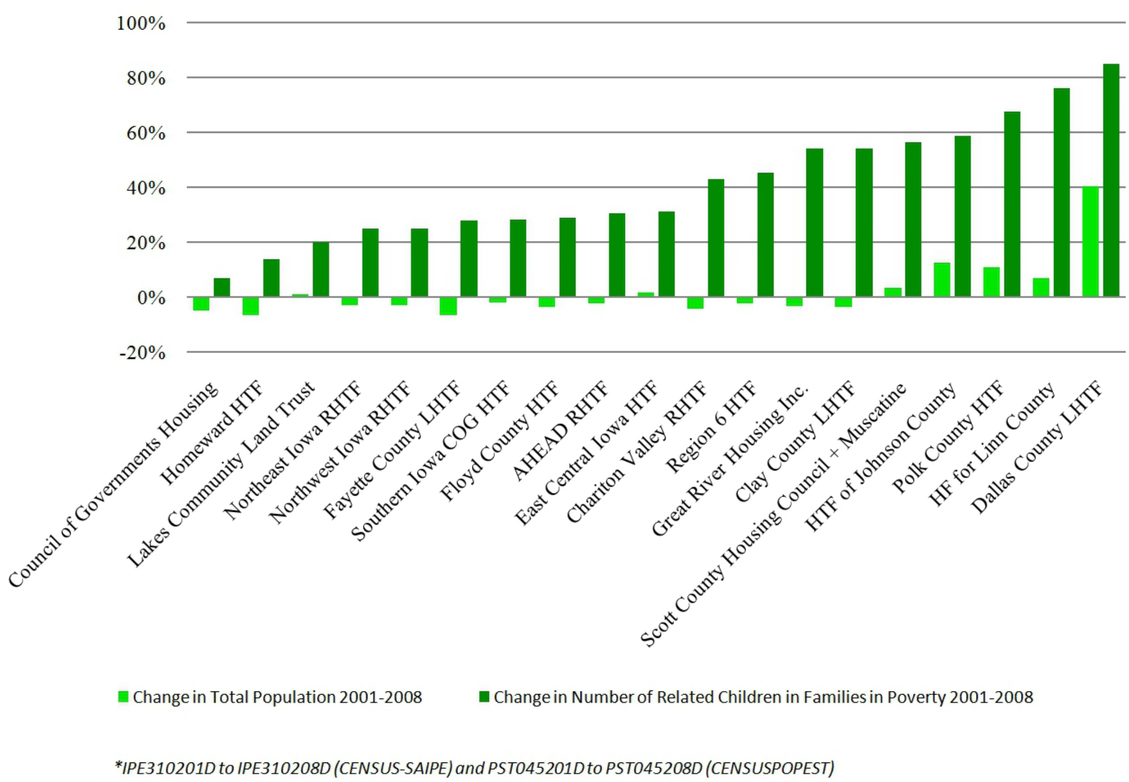


Figure 5 - Change In The Number Of Related Children Age 5 To 17 In Families In Poverty Between 2001 And 2008

COG-based housing trust fund highlighted the importance of real estate agents in connecting households in need to the funds available.

"[W]e get new funding [for the down payment program] and start up another round it goes pretty quickly. The realtors contact us quite often. They usually have several people in mind that they need just something a little more to afford a house. And this will help them; help that last little step to get into it."

A few LHTF administrators reported encountering recently-divorced women as a group in need of housing assistance. As the administrator of a rural LHTF explained,

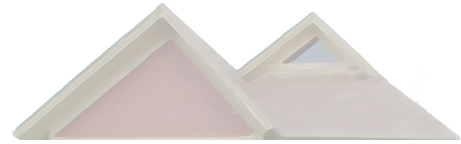
"[W]e do have several recently divorced [women] and they're splitting everything up and that they find a new home or whatever… for example…where the husband made the income and [the wife is] moving out on her own now and she doesn't have an income and stuff like that. We've actually had a few like that just recently and that seems to be the trend for our, for our people that we work with."

Trust Fund Staffing

Local trust fund administrators in Iowa fall into the following three categories: (1) employees of a COG or city government that oversee the LHTF as one of their many duties; (2) a full-time employee of the trust fund, who is paid out of the fund's coffers; and (3) volunteers who administer the fund on a part-time basis. Most LHTF administrators fall into the first group, which often requires the administrators to balance multiple responsibilities, as captured in this exchange with one such administrator:

I: "Are you...the staff of the trust fund? The two of you."
R: "Well, it's a joint project of four people. The two people across the hall, they do the inspections and...we're not really staff of the trust fund. [The COG] is contracted by the trust fund to do the admin for the projects, so technically we're not really staff of the [LHTF] and certainly not paid staff."

Trust Fund Projects



Iowa's LHTFs fund projects ranging along the entire housing continuum. Some trust funds specialize in one kind of activity, such as furnace replacement, while others fund a wide range of projects from homelessness prevention to down payment assistance. Table 3 provides a list of the housing activities that are currently being funded and the number of LHTFs that provide each of those activities. Below is a brief description of each housing activity.

Owner-occupied rehabilitation/repair

Owner-occupied rehabilitation projects are included in almost every housing assistance plan. According to both interviews and reviews of HAPs, every LHTF in the state allocates some funding toward housing maintenance and repair (or organizations that specialize in repair), and most allocate funds to projects directly related to structural soundness (roofs). Rehabilitation and maintenance services are provided as grants and low interest loans, but most often some combination of the two, "70% of it [as] a forgivable loan and the rest of it [as] a repayable loan" as one administrator described.

Trust fund administrators named owner-occupied rehabilitation and repair as the most common housing activity among the LHTFs. Iowa has a high rate of homeownership compared to the United States as a whole.

Table 3 - Housing Activities Of LHTFs

ACTIVITY	NUMBER OF PARTICIPATING LHTF
Acquisition and Rehabilitation	3
Housing Education	6
Transitional Housing	7
Homelessness Prevention	7
Rent Assistance	8
Demolition and Infill	9
Rental Rehabilitation	9
New Construction	10
Homeownership Assistance	19
Owner-Occupied Rehabilitation and Repair	22

Moreover, the state has one of the oldest housing stocks in the country. As Figure 4 shows, the bulk of Iowa's housing stock was constructed before 1970, and a very significant percentage before 1940. High rates of ownership and an aging housing stock in part explain the prevalence of trust fund activities targeted toward renovation and repair. Administrators often cited these factors when explaining their perceived demand for rehab and repair activities. One LHTF administrator of a rural, regional housing trust fund succinctly explained the rationale behind rehab/repair activities becoming a funding priority.

"[W]e had quite a wide variety of requests…we've had siding, windows, roofs…that's the majority, but we've also had a new furnace, new water heater. A gentleman had been steadily contacted by one of the cities about replacing his sidewalk, it was hazardous, but he had no money to do it, and so that was another project we did. Steel roofs seem to be big. Yes, we're replacing not just reshingling, but replacing the entire roof with steel…egress windows…heat pumps…"

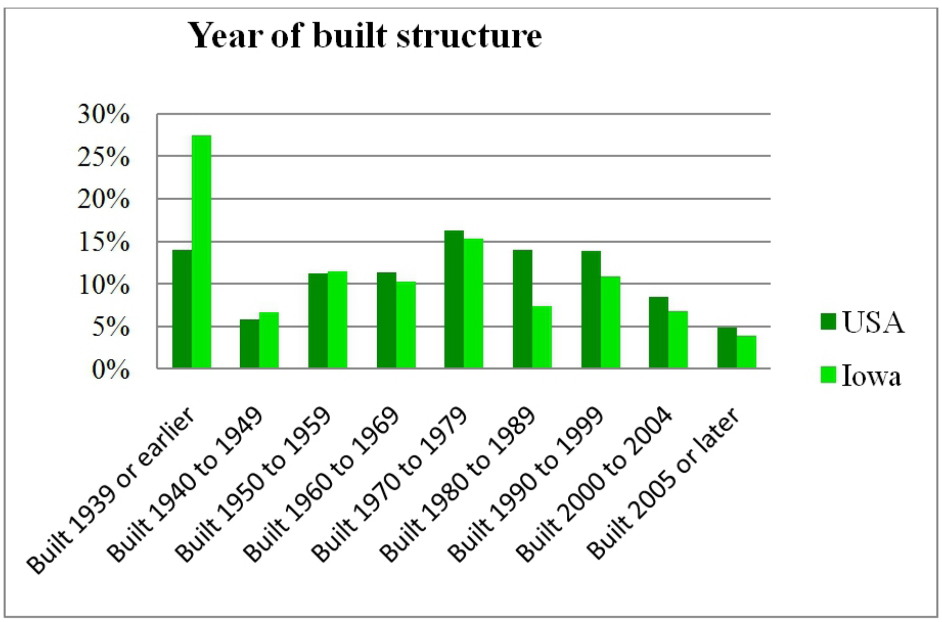


Figure 6 - Housing Units Constructed by Year

An administrator of an urban LHTF, when discussing the kinds of programs they fund, mentioned owner occupied renovation and repair projects, and noted the range of repairs that have been funded.

"Pretty broad range, we have programs within the owner-occupied repair, emergency repairs, and minor repairs, and lead…remediation, so that could be up to twenty-five thousand a home for lead…it could be a new roof, it could be a new sewer or water line, it could be a thermostat and a furnace. It just varies, and it's all income-based, the majority is fifty percent of the median-family income."

Homeownership Assistance

Many administrators cited homeownership assistance as an important funding target. Homeownership assistance typically means providing closing costs and/or a down payment on the purchase of a single-family home. As one administrator of a COG-based, rural, regional housing trust fund explained, ownership assistance programs usually operate like a revolving loan, and include "up to 7% of the purchase price of a home up to $7,000. Part of it will be forgivable loan; part of it will be a 1% percent interest loan that we will have them pay back."

A few LHTF administrators reported providing funding for additional support services for first time homebuyers such as classes on household budgeting and maintenance. Housing education programs focus on teaching skills and expectations to help participants become better homeowners. A handful of administrators reported supporting housing education programs as part of their overall housing strategy.

Figure 7 - Before and After Rehabilitation, Sioux City LHTF

Figure 8 - Before and After Roof Replacement, Fayette County LHTF

For example, one administrator described a program the trust fund supported that helped new homeowners prepare for the everyday responsibilities of owning a home. In a case of creative leveraging, the program took advantage of the resources of a nearby community college.

"[A] homeowner education course… we have an agreement with [a local community college] that through their centers…That they'll hold a class specifically for our clients, they talk about basic home maintenance… keeping your gutters cleaned and cleared out, changing the filter in your house, different plumbing issues, electrical issues that you need to take care of just to make sure that once we work on their home, that their home is maintained on down the road."

New Construction

Several administrators reported using IFA money to finance new construction projects, which included financing both single-family homes and multifamily units. Some LHTFs partner with Habitat for Humanity to help build new homes in their communities. In most instances, the construction was handled by Habitat for Humanity, the local trust fund providing some of the funding. As one administrator said, "we've tried to develop specific activities, um, usually with Habitat it's, it's giving them $25,000 or whatever as seed money to build a home for somebody in one of our rural communities."

New construction projects are often infill – in some cases, replacing a recent tear down and in others utilizing existing vacant property. Several administrators noted the opportunities presented by infill but acknowledged the challenges of finding a developer willing to build low-cost infill units. In fact, in some instances finding a developer appears to be the biggest challenge to new construction.

Figure 9 - Habitat For Humanity Home

"There aren't service providers, or anyone that's interested in providing affordable housing. The four counties… are very rural in nature…. In terms of new construction, they don't have affordable housing projects going on all the time. I shouldn't say they don't want them, but there isn't a push for them, so there just won't be going forward…. I'm thinking that, in terms of service providers, or developers, there won't be proposals submitted, and therefore, the board won't be able to distribute funds in that method."

Rental Rehabilitation

Several local trust funds support rental rehabilitation projects. These projects usually entail partnerships between the LHTF and local landlords to secure low interest loans to finance repairs to affordable rental units. An administrator of a county-based LHTF described the kinds of renovations typically undertaken as part of a rental rehab as well as the terms of the loan.

"Actually we put, siding on one … maybe it was siding on both of them and windows I believe on one, but with the rental it's a 50:50 match, so if we put in five then the owner has to put in five, and then that is a loan that has to be paid back over a five year period."

Low or no interest loans help entice landlords to improve the quality of affordable rental properties, thereby boosting the living conditions of low-income residents. Administrators reported attaching terms to the loans to ensure that the units, once renovated, remain affordable for a number of years into the future. Several LHTF administrators reported having funded adaptive reuse projects, which turn old commercial or industrial buildings into new residential housing units. For instance, an urban, county-based LHTF

Figure 10 - Before and After Rental Rehabitation, Scott County

recently provided money for rehabilitating an old school that will produce 41 units of affordable, low-income senior housing.

Demolition and Rebuild

A few trust fund administrators reported supporting demolition and rebuild projects. Designed to reuse urban space, demolition and infill programs can be useful for removing dangerous properties and for creating new development opportunities. Demolition and rebuild projects are often far too costly for smaller communities to afford on their own, which is why LHTF administrators sometimes include them as eligible housing activities. Several administrators described scenarios that included partnering with a city administration to cover demolition costs or city administrations funding the removal of a structure then deeding the land to the LHTF for future redevelopment. An administrator of a city-based LHTF described the kinds of demolition and rebuild programs their trust fund supports.

"[D]emolition assistance provides $4,000 as a grant up front to demolish a property and with the stipulation that [a structure] be rebuilt within a two year period with an assessed value of more than the structure that was torn down. Typically we want to see a poured basement - three bedroom, two bathroom, attached garage - house, sometimes it happens, sometimes it doesn't. We have another demolition program that is basically for green space. We offer up to $4,000, there's no stipulation. It's an interest free loan over twenty four months, half of it needs to be repaid but no redevelopment provision."

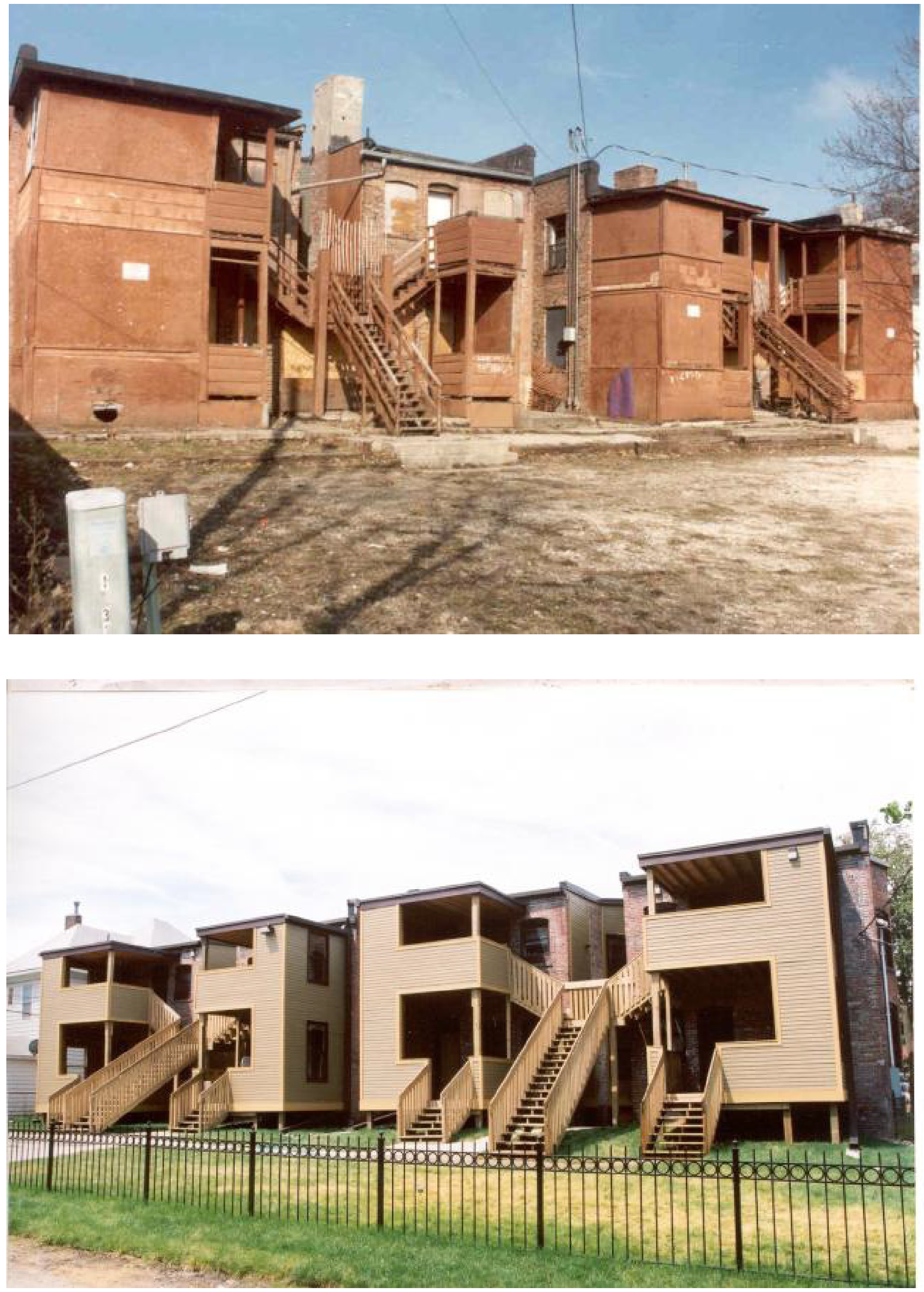


Figure 11 - Before and After Rental Rehabilitation, Polk County

Transitional Housing and Homelessness Prevention

Transitional and emergency shelter housing services are non-permanent housing units, often used to house individuals and families needing temporary shelter, which can include the homeless, the recently paroled, and women and children seeking refuge from dangerous living situations.

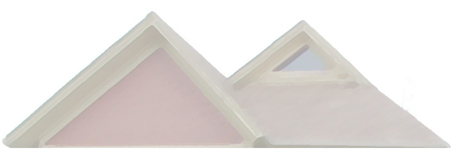
One administrator reported using LHTF monies to support several local non-profits that provide transitional housing and shelter services. The administrator went on to detail the kind of services one of the transitional housing agencies in the area provides using trust fund dollars.

"They do transitional housing for single parents, mainly women who are probably coming out of a correctional facility or trying to get their life back together because of some substance abuse, they sign a contract that says I'm gonna keep myself clean and sober, I'm gonna get into some kind of an education program or I'm gonna go out and look for a job and I'm gonna live here at a very very reduced rate of rent for maybe up to two years until I can get my life back…"

Once renovated, the property is sold at an affordable price to an individual or family meeting the income guidelines of the program.

Acquisition and Rehabilitation

Several administrators reported using trust fund dollars to fund acquisition and rehabilitation programs by purchasing or deeding a derelict property to renovate and re-sell. The rehabilitation can be extensive, depending on the condition of the house and the amount of funding the LHTF can afford to allocate for the project. Once renovated, the property is sold at an affordable price to an individual or family meeting the income guidelines of the program. In surmising the benefit of this kind of program, a LHTF administrator from a rural, regional housing trust fund remarked, "I think it's a real good program, you can get really nice homes from homes that are just vacant and deteriorating and just not selling, so I think that is pretty good."



In sum, our interviews revealed a broad range of activities that LHTFs perform and support. Some LHTFs focus on a few types of housing activities, while others support a wide variety of programs. These activities vary based on location, service area, and staff capacity. In the next section, we discuss several issues that trust funds face in their work to expand the supply of affordable housing in the state.

Local Housing Trust Fund Structure and Capacity

Beyond basic funding activities, the interviews revealed much about the history of local trust funds, the decision making processes that determine how monies are expended, and the perceived effect trust fund expenditures have had on the condition of affordable housing in Iowa. In the following sections, we attempt to explain the influence of both the structure of the state's housing trust fund program and the agency of local administrators and governing boards in determining the ways that funding decisions are made. We explore how these factors shape the demand and supply of affordable housing in Iowa's communities.

Reasons for Starting LHTFs

During the interviews, we asked each trust fund administrator about the history of their fund, specifically how the fund came into being. Three major reasons were repeatedly mentioned. These included: a motivated individual or agency recognizing a need in their community and starting a trust fund to address that need; a desire by a local government to capture additional state funding to support existing housing programs; and to extend the reach of an existing agency by adding an additional support service and extra funding. Overall, most of the earliest LHTFs were started by an individual or agency that recognized a need in their community. The LHTFs that have come later were motivated by either the desire to capture funds or as a way to extend the reach of an existing agency. Many of the long-term LHTF administrators, some of whom had a hand in creating trust funds themselves, relayed stories about how specific individuals or groups in the community, sometimes informally, took ownership of the issue of affordable housing and advocated for a community-based response, in several cases long before the state-wide program was launched. The end result was the creation of a local housing trust fund.

Overall, most of the earliest LHTFs were started by an individual or agency that recognized a need in their community.

For example, the administrator of an urban trust fund explained that "back in the 1980s…the overall economy, but especially in our region kind of went down the tubes because we were finding [many major employers] were closing because of the decline in the heavy manufacturing." In response to the local economic crisis, "the media decided that they would do a strategic planning process…and what came out of it was five major areas of interest and naturally, housing was one of them." He went on to describe how the Riverboat Development Authority (RDA) and the United Way worked together to encourage "organizations with similar interests to form collaborations [and] housing was the only one that did it."

In another case, the administrator, who worked for the city's housing department, explained that the local trust fund was "started…through our office with an IDED grant of $240,000 and Federal Home Loan payment dollars in rehab specifically from $250,000 and then local contributions, I think there were some assets that the city had from a demolition program that they transferred over… It was capitalized with about $840,000 in the beginning." She went on to say that the fact that a small city could leverage such "a significant amount of money" was a powerful motivator for action.

Other administrators were more blunt about their reason for starting a trust fund - to enable local governments to capture additional funding streams. Several noted that simply highlighting the availability of additional state dollars spurred action by local governing bodies. An issue like affordable housing became more palatable to elected councils, regardless of political orientation, when backed up with the prospect of additional money. This made establishing a trust fund easier. An administrator of a city-based HTF explained how the availability of money finally motivated the local government to act.

"[W]hen this first started about through IFA and the State of Iowa. Our office tried to get someone to be in charge of it; because when it first came out it seemed like... [IFA] didn't want the local government officials to be charged with it. We want it to be formed out of the agencies that are doing the services or people that see a need in their community, so we tried to push it and let people know, 'There's this money out there but we can't be in charge of it. Is there anybody who would like to take the lead?' We gave some presentations to human services agencies. We talked about it for several years with people trying to guide certain individuals we thought could be leaders but nothing really ever came. Finally I think in the last two, two to three years, I think people were finally figuring out 'oh, we're losing this pot; we're not getting this because we're not participating.' So I think they finally got it that, 'Hey, there's money that could be for us and this community and we're missing out on it.' So I think finally they got it and leadership started to develop to get it going. We started to participate."

In cases where the LHTF extended an existing agency's programmatic reach, the decision to apply for certification from IFA came relatively easily, and was typically an administrative decision. In other words, these administrators reported that no one really had to be convinced. As one administrator explained, "[Our COG] has done housing projects similar to [LHTF] type of projects for years through other programs so this is kind of a natural fit to do this." The local trust fund was simply added to the litany of services provided by the COG.

Housing Need versus Housing Demand

Fundamental to understanding how LHFTs operate is the way administrators and governing boards frame the related issues of need and demand. In Iowa's decentralized trust fund program, housing need and demand influence the entire process of distributing funds, from the creation and certification of a local trust fund agency, to the population segments that receive assistance, to the evaluation of the impact of trust fund activities. Indeed, perceptions about the overall need for affordable housing across the state was likely the most important issue revealed during the interviews. Administrators almost universally expressed the belief that the actual need for affordable housing far outstrips the supply and that this need may not be reflected in the actual demand for housing assistance. This was consistent across trust funds, regardless of population size, geographic extent, or location within the state. However, the interviews revealed that knowledge of the specific magnitude of housing need in the state is, at best, uncertain.

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For the purposes of this report we draw a distinction between need, the number of people or households that would benefit from LHTF program (i.e. potential pool of applicants), and demand, the number of people that come forward to request assistance from LHTFs (i.e. actual LHTF applicants). Need and demand are closely related, but not equal. In many respects, demand is only the tip of the iceberg. For every household that learns about assistance available through the LHTF program, and then proceeds to request housing assistance, there are likely several households that are either are unaware of the program or fail to request assistance. In this case, the demand becomes the most visible part of need. In the day-to-day operation of the local trust funds, administrators mostly deal with demand. What part of the actual need that demand represents can vary from community to community, just as much as the need itself varies. Because of the limits of time and data, trust fund administrators are often forced to equate need with demand. Most administrators admitted they do not know the actual gap between need and demand.

As one administrator explained, "Yeah, I think there's a pretty big need out there that we don't really hear about and we're hearing about it indirectly because somebody's told somebody that will call because they might have money available." This comment points to the issue of need versus demand. Acknowledging that he thought the need was really big, but that he was hearing about it mostly indirectly, by word of mouth, suggests the lack of knowledge of need a single administrator or board could possess. Indeed, in the next beat he stated, "I don't know how to make that assessment." Similarly, another administrator remarked that "the extent of the need is still a little unclear" when describing how much demand he sees for affordable housing versus how many people struggle with housing but are never identified. As these administrators pointed out, the actual need for affordable is something that cannot be easily known. Too many factors are at play, and thus knowledge of housing need can only ever be partial. However, as we note in the conclusion to this report, additional research could go a long way toward better understanding Iowa's need for affordable housing.

Within the basic structural parameters of the trust fund program, the ground-level process of distinguishing need from demand raises a number of issues regarding the way funding programs are designed, how programs are advertised, the way different projects are evaluated, and, ultimately, how decisions are made to separate households that will get help from those that will not.

Geography of Need

The blurring of need and demand for affordable housing was revealed in several important ways. The first relates to what we might call the geography of need. On the whole, administrators of county and regional trust funds reported a frequent disparity between rural and urban areas regarding the number of applicants for housing assistance. Urban areas, obviously, tend to have a larger population, thus it stands to reason that those areas would generate more applications for assistance. Urban areas also tend to house a variety of social support services, including agencies that deal with affordable housing. Rural areas have fewer people and often a much lower density of social service providers, including housing agencies.

In some rural areas, the LHTF was often the only program that could provide assistance.

Administrators frequently explained the difference in demand as a result of the visibility of housing programs that only operate in cities, specifically the Community Development Block Grant program (CDBG), whereas in some rural areas, the LHTF was often the only program that could provide assistance. Some administrators explained that most applicants come from cities because the bulk of the population lives in cities. The lack of information channels in rural places can also be an explanation for fewer applications. As one administrator noted, "I think all but one or two [projects] in this county were [located] in the county seat and I don't know whether that's a problem of not being able to get the word out to enough people out in the county. We're gonna try to saturate the communities more with information."

Other administrators argued that housing need did not appear to exist in rural places, or at least in any visible manifestation. Some administrators explained that the need for renovations and repairs in rural areas is not easy to see or to target, and thus gets overlooked. Others suggested that people in rural areas perceive public assistance in a negative light, and many community leaders believed that no one in the community would accept help if offered. As one administrator explained, "it takes a lot of proactive. You know, and from my experience of going to communities, a lot of times they might, their first response is, we don't have people that would even accept any help, or you know, and then they find out, oh yeah I guess we do have them, but you know it really takes a lot of proactive work to get that, to that point."

Yet neither a smaller population nor fewer social service agencies necessarily means less need. Interviews found a few LHTF administrators, especially those based in rural areas, perceive the geography gap and are explicitly attempting to address the problem of affordable housing in places where other federal and state programs do not work. They often noted in many rural parts of Iowa, the only housing assistance available is that provided through a local housing trust fund. Several mentioned that rural housing issues are potentially great, if unknown, because of an older housing stock, lower household incomes, and a greater proportion of elderly. As the administrator of a rural, regional HTF explained, "there are towns, […] particularly the small towns where they could have the whole town […] where […] every house has a need: they're old homes, they're low income."

Nevertheless, the majority of administrators reported that they usually do not distinguish between applicants based on geography or seek out applications from rural places, but simply responded to requests for service (demand). The question remains whether the geography of demand, based simply on the geographic origin of the applications received, accurately reflects the geography of need. In other words, does the greater demand from households in urban areas reflect a real difference in need, or does it indicate a knowledge gap?

Advertising and Targeting

The presence or absence of publicity alone can strongly influence demand. Publicizing a trust fund helps ensure that the program reaches its target audience, inducing demand. Without advertising, programs will likely only be spread by word of mouth, which means that to be informed, a person must belong to a certain network, such as a neighborhood, a church, etc. The flexibility of IFA's rules allow administrators and governing boards to effectively choose how much they want to advertise the trust fund. In some respects, this is a way of determining the demand they want. During the interviews, it became clear that some LHTFs broadly advertise their services while others do not, instead relying strictly on word of mouth to promote their programs. One administrator of a rural, county-based LHTF described their more aggressive outreach strategy.

> ***Several administrators pointed out that they maintained long waiting lists for service, and thus did not ...actively promote the program.***

"[W]e would go out into communities and speak to service organizations…and we sent brochures out to the churches to ask if they would post it…the CAP agency… on the radio, and on the cable…And we did a mass mailing to everybody that was qualified for lower taxes because of their age."

However, one administrator of a large regional housing trust fund described how simple word of mouth had successfully promoted the funding programs available

"Some of it's word of mouth like somebody down the street has their house improved. 'Oh, how'd you do that?' 'Oh, we got funding through this [LHTF Program]' and it spreads that way."

There are a number of reasons why administrators choose one type of publicity over another, or choose not to advertise at all. Several administrators pointed out that they maintained long waiting lists for service, and thus did not need to actively promote the program. As one administrator of a rural, regional housing trust fund said, "we could cut it off now [the waiting list] and have enough to do for the next two to three years." Some administrators also reported relying almost entirely on city clerks to distribute printed brochures detailing available services. Another administrator of a rural, regional housing trust fund explained that they did not want to advertise, not only because they did not have to, but also because they did not feel it would be in their best interest. As the following dialogue suggests, this administrator felt that having too many applicants would be counterproductive:

I: "Do you think it's widely known among the public now that it's been around for…?"
R: "Um… probably not."
I: "No. But the constituent governments know."
R: "Yes. Yes."

I: "They're very aware."
R: "They're very aware, yes. Our big fear about putting it in the newspaper or something, is, is we're gonna end up with 100 applicants and basically if you start multiplying, we got uh, $248,000, divide that by 8,000 it, it goes pretty fast, you know, we're able to do, 30 - 35 people a year, and we always have a, we always have a waiting list, we just do, so..."

Several administrators who did not advertise their trust funds explained that they expected a different applicant pool than what they received. But even with advertising, some populations would still be difficult to target. For example, one administrator of a rural, regional HTF who was using different types of media to advertise reported expecting more elderly and people from the Latino community. Even though she admitted she was operating from a "preconceived idea" without much basis in reality, the difference between expected demand and actual demand could also be explained by the fact that immigrants and the elderly may be outside the networks through which applicants to the trust from typically come.

Administrators that actively publicized their trust funds reported using a variety of media, such as newspapers, TV channels, and printed brochures distributed to city councils, city clerks, religious organizations, and social service providers in their area. But as one administrator pointed out, it can be hard to target specific populations with traditional advertising, because many people in the target groups do not read newspapers and do not have access to a computer. Traditional outreach methods are limited in their reach. One administrator of a rural, regional housing trust fund clarified this challenge.

"We put it in the newspaper and on the radio, and we...send it out to all the different city councils and all the different communities but I think city council or city clerks are not necessarily good about disseminating the information either and so we're still trying to figure out how we can get more information out there... maybe putting it in the newspapers but a lot of people don't read newspapers either and a lot of our elderly people don't have access to internet so putting it on our webpage is useful in some respects but not necessarily."

Governing boards can also act as publicity channels for targeting households. Because the board sets the strategy of the LHTF, the board decides what types of services will be preferred. For example, in its HAP, one board indicated that it would like to financially assist local agencies in helping transition renters to homeowners. Moreover, board members, because they are drawn from the community, often identify organizations or households that might benefit from housing assistance, and bring that information into the decision making process. Thus the board's decisions have implications for the kinds of households that can be assisted.

Board members, because they are drawn from the community, often identify organizations or households that might benefit from housing assistance, and bring that information into the decision making process

Role of Iowa State Extension

As we discussed the creation of LHTFs with the administrators several mentioned the role of the Iowa State University Extension Field Specialist, Frank Owens, in helping their communities develop a local trust fund. Owens was remembered for his assistance with developing housing interest groups, helping to write a HAP, and managing the certification process. As one LHTF administrator recalled, "he actually led us through the process of what it was going to take to become incorporated, what it was going to take to develop our first HAP for certification, and kind of walked us through the certification process."

Other administrators commented that he was particularly helpful in organizing public meetings and getting people to talk about affordable housing. For example, an administrator of a county-based trust fund explained his contact with Owens as part of an iterative process that was ultimately successful.

"[S]everal years ago…Frank Owens had come up [here] and had visited with…the board of supervisors about the possibility of starting a housing trust fund. And…nothing ever happened with it. And then about four… years ago he made contact again, and came up…and sat down with down with two or three of us [and explained] what it was, what else we could do. And we said, 'well, let's explore a little more', and so he kept coming back, and coming back, and coming back, and about the time he was back for the second or third time, we decided, [maybe we need to find more people that might be interested] in working on something, and so that's where…. some of the original members of the board started."

Another administrator described how Owens's status as an outsider had compelled the local government to support the creation of a trust fund. Though staff had pressured the governing council to support a trust fund for several years, it was not until Owens' intervention that any action was taken.

"I think Frank Owens was probably one of the main persons that helped cattle prod people to get things done. I mean cause [the staff] for years have been telling them this is what you need to do but at the same time [the staff has said] if it's something that we want done then we're going to have to do it but I don't see us having the time to do it… by ourselves, so we were…always waiting, kind of and pushing someone to try and do it. And so when Frank kind of got involved he blatantly was able to, 'you know if you don't do this you're not going to get it.' And I think they listened to that a lot more than the in it, as an outsider they were like, "oh, ugh, okay."

Challenges and Opportunities of Regionalism

As already indicated, in 2009, IFA drafted a policy encouraging larger, regional trust funds. Adopted to reduce administrative costs of the program, this policy was designed to encourage county and city-based trust funds operating in small housing markets to combine administrative efforts. The model was loosely based on the councils of government (COG) system. By bringing adjacent local governments together to cooperate around the issue of affordable housing, one that transcends municipal boundaries, the regional trust funds would more closely mimic housing markets, would help fill gaps in the state where no housing trust fund was in operation, would enable a broader distribution of housing assistance, and would reduce administrative costs.

Thus far, the policy has resulted in several new LHTFs. A number of small communities that previously had not been served were folded into existing trust funds. Additionally, several COGs initiated new trust funds, most in areas that were previously not served by any LHTF.

During the interviews, administrators echoed the idea that the regional focus of the program had indeed changed the LHTF administrative structures. A few city and county-based LHTFs have consolidated their administrative functions into a single office, but the formerly independent LHTF governing boards retained independence in terms of making funding decisions. There are also several cases of a COG being contracted to run the administrative portion of the LHTF program but then having a separate local governing board in charge of the actual decision making process.

While many LHTF administrators acknowledged that overall administrative costs for the state trust fund would be far too great if each of the 99 counties were allowed to form their own LHTFs, some voiced serious reservations about regionalization. This stems from uneasiness with several local governments sharing a single pot of money. As one administrator put it, regionalization risks removing the beneficial aspects of "local" from the trust fund program. The administrator further elaborated on the problems associated with operating a trust fund at a larger geography. Specifically, the administrator's concern was that it becomes much harder to simply target funds to the neediest households because each political jurisdiction in the region wants its fair share of the pie.

"[T]he regional ones are all about regionalization, well the local housing trust funds that are truly a local housing trust fund don't want to be part of that because it, it spreads the money around too much… I guess personally, I don't see the impact if it's regionally. I can see it being administered on a regional basis, … sharing of staff, you know these rural areas, …don't have enough population…wouldn't have enough dollars to justify the staff that they'd need to administer that, so you might have… one entity administering a couple of different local housing trust funds.

While many LHTF administrators acknowledged that overall administrative costs for the state trust fund would be far too great if each of the 99 counties were allowed to form their own LHTFs, some voiced serious reservations about regionalization.

... But to say…okay this, this whole region gets this amount of money. Where do you target it then? "

Another administrator compared the regional LHTF to a neighboring county-level LHTF, and admitted that as a regional fund, they had not been as effective as the single county LHTF at raising matching funds and support beyond county and local governments. In his words,

"The county-level LHTF has a little bit more flexibility in that they do a lot of projects… first of all they involve a lot more funding groups than just the County and the cities themselves. They also have tapped into some of the casino money...they've also gone out to the banks, and they have that CRA requirement, community reinvestment stuff, and they've been able to get some funding from local banks, too, to throw into that, and they do a lot more smaller projects, uh, if you need furnace or if you need a water heater, or if you need, you know if some emergency thing pops up. And they've been very good about getting a lot of that out."

However, the same administrator suggested that the regional LHTF was much better equipped to take on the administrative burdens than the county LHTF. In his mind, "some of [the county] shortfalls in my opinion fall along the lines of the administrative capacity. If someone wants to apply to those funds, they have a hard time going about who do I contact, where do I get the application, how do I go about this." The administrative advantage is perhaps most visible when a regional LHTF is run by a COG or other government entity with experience running affordable housing programs.

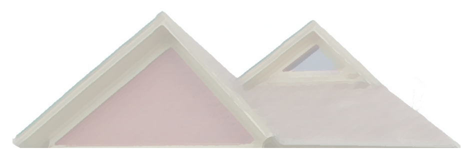
In terms of the regionalization policy of the state trust fund, several administrators discussed how a regional model might be effective in leveraging additional state or federal housing dollars, but only to a certain extent. Two key concerns were raised about the way base funding decisions are currently made. First, when trust funds are co-terminus with COG boundaries, some regional LHTFs are unfairly advantaged when it comes to receiving money. For example, based on IFA's current population-based funding guidelines, if a COG runs an LHTF that only includes three or four mid-size counties, there is a lot more public money to distribute to each county in the trust fund area than if a COG operates an LHTF covering nine or ten small counties. Although the populations might be similar, it is significantly more difficult to distribute money and information across a larger spatial region with more political jurisdictions to appease. One administrator suggested that instituting a tiered format for allocating monies to regional trust funds that also takes into account the number of counties served might improve the situation.

Second, quite a few administrators were skeptical of the idea of putting urban areas into regional LHTFs that also serve rural areas. One administrator explained that his regional, COG-based LHTF was currently serving only rural areas although there was an entitlement city in the region that was not part of the trust fund. The administrator recognized that while the LHTF would receive additional state funding by including the entitlement city in the trust fund, he was concerned that the support rural areas currently receive would sharply decline if the much larger, urban area was included in the funding allocation process.

Public Involvement

Administrators reported that the board of directors, administrators, local demand, and sometimes, public participation largely determined the specific activities of the local trust funds. The level of civic engagement seemed to vary from one LHTF to another. Several administrators highlighted the role of citizen participation in shaping the direction of the trust fund. Others suggested that public participation had played a minor role, if at all. One housing administrator of a rural, COG-based trust fund explained how the LHTF held a public input forum at the beginning of the process to help prioritize the activities the fund would pursue.

“[Y]ou can do almost anything with these dollars…our very first priority, and we, invited all the city people, all the county people, all the service industry people, [for]…public input sessions. [We asked]…what do you think is the biggest need, where do you think we should go with that… the biggest need was owner-occupied rehab, and…the second need came out as, …homebuyer assistance, and then the other…help with some infrastructure to get new construction going, and then…the emergency repair type of things.”



Collaborations

The ability of LHTFs to collaborate with local governments (cities and counties); councils of government (COGs), nonprofit social service agencies, other LHTFs, and IFA, is one indicator of capacity. During the interview process we asked administrators how closely they worked with other local agencies, and the kinds of collaborative projects they pursued. We specifically asked administrators about collaborations with planning departments, other service agencies, and other local trust funds.

Several administrators reported working very closely with their local planning departments, while most reported little to no interaction with local planning departments. Perhaps not surprisingly, the administrators of regional housing trust funds based in a COG most often reported having collaborated with local and regional planning departments. This also appeared to be the case in city administered housing trust funds. In both instances, the trust fund administrators commonly reported sharing physical space with planning officials, and in some cases individuals served simultaneously in both capacities.

Conversely, administrators in single-county trust funds reported infrequent or no collaborations with local planning departments or even their COG. In these cases, the trust fund administrators tended to work in separate locations and have far fewer connections to local governments or the COG. As one city-based LHTF administrator remarked, "… they [the COG] leave us alone… they didn't include us in their [LHTF]. (Chuckle) We don't want to have to do anything with them because they have their own money."

As another measure of capacity, we asked about the frequency with which LHTFs form partnerships with other social service organizations. Administrators reported that some partnerships involved financial connections and were often for the purpose of leveraging outside support to take on large projects. Other partnerships were entered for the sake of knowledge or expertise sharing. The number of partnerships varied widely. Some administrators described frequent and broad collaborations, sometimes involving a number of different organizations from different service sectors (e.g. housing, job training, and education). Others reported collaborating with just one or two other agencies, but doing so consistently. Several trust fund administrators have formalized these partnerships by creating durable clusters of social service providers. Nonetheless several administrators reported little to no collaboration with other housing or social service agencies. Reasons cited included the absence of potential collaborators, limited funds, limited time, and lack of demand.

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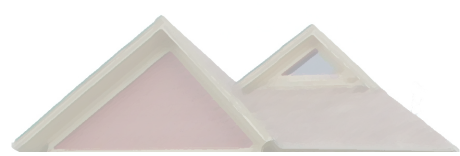
During the interviews, most LHTF administrators expressed interest in collaborating with other local trust funds, but almost none reported previous experiences doing so. Aside from annual special events like "Lobby Day," infrequent natural disasters, or an occasional question directed to the LHTF listserve, most administrators seemed to work in relative isolation from one another. The interviews revealed that the most common form of collaboration among trust funds is often initiated by newer LHTF administrators reaching out to more experienced administrators for ideas and mentoring. Not surprisingly, the advice-seeking interactions that administrators mentioned most often occurred largely amongst nearest neighbors. By way of example, the administrator of a rural, regional HTF recounted how a neighboring county had contracted him to manage its LHTF, because "it obviously takes a lot of time and effort to manage these properties," apparently more than the county administration was capable of devoting.



Leveraging

Leveraging money is an extremely important part of the trust fund model. IFA requires local funds to match state funds at a minimum rate of 25%, but hopes for much more. One of the touted advantages of a locally based trust fund is that it can use the state's modest financial contribution as a catalyst to generate additional monies from other local sources to put toward affordable housing projects in the community.

Belying this simple formula, a number of factors contribute to the ability of local trust funds to leverage additional funding. This includes staff size, staff time, community support, and communication networks. These factors also include the rather ineffable quality of being able to demonstrate to the community that the trust fund is a valuable resource worth investing in, engaging other service organizations working in the community, and building connections between organizations to create partnerships that together are greater than the individual parts.

Many of the LHTFs have very small staffs, sometimes only one or even half of a full time position. During the interviews, several administrators reflected on the challenges of balancing the day-to-day operations of running an LHTF along with seeking additional funding sources, finding partner agencies, and building a network to leverage money. When asked about seeking matching funds from local foundations, an administrator of a trust fund in a rural regional noted the difficulty of keeping up with everything, considering her other obligations.

I: "[Do you get match from] any private foundations or corporate donations…?"
R: "No. I don't, to be real honest. I don't even know…what is available. I haven't had time to research that at all."

A few administrators of smaller trust funds expressed frustration at their lack of staff support, and the difficulty it creates when attempting to compete for scare grant funds against larger, better staffed agencies.

"[Y]ou know we're competing against other entitlement communities that have professional staff that can compete for the CDBG and HOME dollars that would be our allocation if we broke it down by population but we really can't compete for because we don't have a department that could go after those dollars."

The leveraging that seems to be the most common and fruitful for local trust funds, in either large or small communities, involves combining LHTF money with Community Development Block Grant (CDBG) funds. As one administrator of a rural, regional housing trust fund explained:

"[W]here with CBDG we may be able to do six, maybe seven houses in a community in a given year. With the trust we can, we can expand that to ten, twelve, thirteen, you know, whatever the case may be to help out."

Other administrators noted that while their trust funds do not apply directly for CDBG dollars, they often support agencies that make extensive use of CDBG money. This represents a kind of indirect leveraging, as the administrator of a large, county-based trust fund described.

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I: "Speaking of the sort of funding issues, how much does the home program, CDBG monies come into play with the work that you guys do with housing?"
R: "Technically none, umm… none of the programs or anything that I operate deal with any of those dollars directly. I mean, I don't, I do not apply for CDBG dollars because I'm not in competition with my agencies. The agencies can go to the city and make application for CDBG dollars. [A service agency], they are good about going to the city to get HOME funds for some of their projects. I will match their dollars, I will use HOME dollars and CDBG dollars as match for mine."

While a majority of the LHTF administrators said they have partnered with city and county governments on CDBG-funded projects, or have funded service agencies that pursue CDBG projects, a few lamented that they have been unable to leverage block grant funds because there were no entitlement cities in their service area. In places without entitlement communities, a few administrators reported leveraging trust fund dollars with USDA rural housing grants. While most administrators noted the benefits of putting IFA money into federally-funded housing projects despite the inconveniences, a few complained that federal money simply required cutting through too much red tape, and that federally-funded projects were not worth the investment of time and effort it would take to push them forward.

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"The housing trust funds don't have a lot of rules, it's fairly open, whereas trying to do anything with CDBG all of a sudden becomes very restrictive and… it would cause a lot of problems, especially since the [LHTF] rely[s] on RFPs… because then, it's almost guaranteed that the RFPs, or the proposals that come in, wouldn't match up or be able to qualify for the CDBG funding, which would just… things wouldn't work out… in my eyes anyway. So I doubt CDBG funding is really an option."

Aside from the challenges of putting together projects that combine trust fund money, federal dollars, and local funds, administrators of rural trust funds reported particular difficulty leveraging funds from private sources (banks, corporations, foundations). One administrator from a rural, regional LHTF suggested that location was partly to blame for the difficulty of raising significant amounts of local money. She compared her situation to that of a nearby county trust fund, admitting that "ideally, we'd raise more, but… it's fundraising… is just extraordinarily difficult… so, just meeting that...minimum is… honestly what the goal is, just because getting more than that isn't you know, realistic." But she went on to say that "they [nearby county based fund]… they get funding from local governments…cities and the county, both…as well as private sources, [a corporation] is a big contributor, banks tend to be," which she framed as a structural problem that put the regional trust fund at a disadvantage.

Another administrator, who also oversees a largely rural regional housing trust fund, corroborated this view, reflecting on the difficulty that rural trust funds often face in trying to raise leveraging funds from local sources. Absent corporations or substantial local banks, these trust funds are often left with few options for fund raising beyond local governments. One administrator explained this problem clearly.

"[The LHTF] it's going to be… the fundraising's going to be a little bit different. They don't have the... they're very rural, so they don't have the… larger corporations that are going to give money, so, uh… the thought from the board, and I would agree, is that approaching the counties would be the best way to go. We could approach cities but there are going to be a tremendous number, which is quite a burden, and, it's gonna be easier for a city to say, well… we'll never see any benefit from that, so, sorry, whereas the counties can say, well, we can see where it'll be kept equal between the counties based on a per capita basis, which is the goal of the board so that's an easy sell, so they can see, well, something will happen, somewhere in the county, and they can see the benefit, and therefore, hopefully anyway, they're willing to commit funds. That's yet to be seen whether that, of course, works, but…"

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Further reflecting on the difficulty rural trust funds face in raising local dollars, a few administrators reported that they sometimes use a "stick and carrot" technique to squeeze funds out of their constituent local governments. One administrator explained that if one county in his regional trust fund service area decided not to give money to the LHTF, then it would receive no benefit from the fund, which meant no projects would be funded in the county area.

Ultimately, the interviews suggest that more than the diversity of sources of leveraging funds, it is the stability of partnerships that is crucial to effective long-term leveraging. Our examination of the financial records of trust funds confirmed that funds administered by COGs tended to have a larger panel of potential sources, while city- and county-based LHTFs had fewer sources. Yet, city- and single-county based LHTFs experienced much less difficulty going beyond the 25% match, and often reported much more durable relationships with leveraging partners.

Conclusions and Recommendations

The impact of the housing trust fund has been without question positive, as the program has provided essential support to both directly help people in need of housing assistance and to increase the ability of non-profit organizations to provide housing.

This report examined the Local Housing Trust Fund program in the State of Iowa. The intent of this study is to better understand how local trust funds engage in various affordable housing initiatives in communities across the state. Using interviews with the individuals who administer the state's network of local trust funds, this report has elucidated some of the issues that trust funds face when going about their work. It is not intended to be comprehensive or complete. Many questions remain that require additional research to begin to answer.

We began the report with a summary and short history of the state's current housing trust fund program. We followed this with a brief analysis of the state's major demographic trends, paying attention to changes in levels of poverty, as well as the number of elderly and families with children. We then described variations in the way trust funds have been implemented around the state. Finally, we highlighted how differences in organizational structure and operation influenced the kinds of housing activities undertaken.

Our analysis of the administrator interviews suggest that the impact of the housing trust fund has been without question positive, as the program has provided essential support to both directly help people in need of housing assistance and to increase the ability of non-profit organizations to provide housing. Without the program, many more of Iowa's most needy households and families likely would be either without adequate housing or would be housing burdened. Our research indicates that the trust fund has helped increase the overall supply of affordable housing. According to numbers provided by the Iowa Finance Authority, $4.09 has been leveraged for every $1 of LHTF Program investment. To date, more than $76.3 million in other funding has been leveraged. The trust fund has helped leverage money well beyond IFA's contribution, though apparently not uniformly across the state.

Beyond the direct impact of the trust fund program, the local trust funds can also be evaluated for their influence on areas outside of housing. The impact of an effective LHTF extends to local economic development, neighborhood revitalization, and the reduction of poverty. These kinds of impacts are important but often difficult to discern, and cannot be easily measured using common data sets or statistical tools. We believe additional in-depth study of the state trust fund program from the perspective of the local fund administrators and governing boards, in the form of a study that specifically focuses on developing ways to measure the impact of the program beyond simple quantitative metrics, should be pursued. Such information has the potential to significantly improve the ways decision makers determine what kinds of housing policies to support, with major benefits to the state.

The funds provided by the state and supplemented through local matches could address only a small part of the affordable housing need in the state.

Our research also revealed several ideas that could extend the reach of Iowa's trust funds. Most of these stem from the problem of adequate funding. Many administrators noted that the funds provided by the state and supplemented through local matches could address only a small part of the affordable housing need in the state. Since the program's inception, IFA has viewed the money it provides as a seed from which local trust funds would leverage additional funding. While some trust funds have been quite successful in leveraging money far beyond the state's annual appropriation, many LHTFs appear to use IFA's annual contributions as their main source of funding, struggle to raise their local match, and are mostly unable to leverage money beyond the minimum 25% match.
The most obvious strategy might be for the state to provide more total funding for the program. In fact, when asked how the LHTF program might be improved, a number of administrators responded that additional state funding would be ideal. But given that a substantial increase in funding for the program is unlikely at present, there is another option: expand the capacity of local trust funds to leverage funds from outside sources.

... provide professional development workshops aimed at teaching administrators how to develop additional tools for seeking funding

Raising additional funds appears to be difficult for many LHTFs, especially rural trust funds, those that have no staff dedicated to fundraising activities, and those that provide direct housing assistance (in many cases these three conditions overlap). The urban LHTFs that have done the best at leveraging additional dollars tend to have staff dedicated to fundraising or grant writing activities, or a full-time executive director deeply experienced in fundraising. In contrast, the LHTFs administered by contract by city, county, or COG staff, often cannot afford a dedicated fundraising position and are not experiened fundraisers. Most local government staff handle LHTF programs in addition to other duties. Trust funds in which the administrators provide direct service are often tied up in the day-to-day operations of running the LHTF and do not have time or resources to devote to searching for funding.

We think there are several ways to address the issue of leveraging capacity. One way would be to provide professional development workshops aimed at teaching administrators how to develop additional tools for seeking funding. These could be grant writing workshops or workshops on forging partnerships. The workshops could be specifically targeted to trust funds based on their location and needs. A second way would be to provide training to local board members so that they could be more involved in fundraising for their trust funds. Iowa State Extension personnel could host workshops to develop the capacity of boards to take on more active leadership roles. A third way to promote leveraging would be to provide incentives so that a greater portion of the total dollars awarded to a trust fund could be used for administration if higher leveraging targets were met. A fourth strategy could be a reduction in auditing requirements. Administrators of several of the smaller LHTFs expressed concern with finding money to pay for mandatory audits if additional matching funds are found, while some of the larger funds only report their minimum match, and exclude reporting in-kind matches because of the audit requirement.

Perhaps most importantly, this study suggests that the trust fund program has significantly improved the ability of local governments, councils of governments, and non-profit organizations to bring the issue of affordable housing to the attention of elected officials, businesses, foundations, and the general public. As the trust fund program matures, its ability to highlight the challenges of affordable housing, to coordinate service providers attempting to address the problem, and to support the production and conservation of affordable housing units will continue to grow. Our research suggests that the real benefits of the program are only just beginning.

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