

2012 Iowa Housing Study: Executive Summary

REPORT TO

Iowa Finance Authority

FROM

RDG Planning & Design



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EXECUTIVE SUMMARY – 2012 IOWA HOUSING STUDY

The 2012 Iowa Housing Study was undertaken by the Iowa Finance Authority (IFA) to better understand the housing needs of Iowans. The study combined rigorous quantitative research using 2010 U.S. Census and other data sources with an extensive public participation process contributing qualitative input. The quantitative research component provides an analysis of population, household, housing, and employment conditions and trends affecting the current and future housing needs of Iowans. This quantitative analysis has been consolidated into the following documents:

- Analysis and Forecast of Housing Needs in Iowa, Technical Report, November 12, 2012, with Analysis Summary.
- Regional Appendices A – H: Analysis of Trends and Conditions Affecting Housing Needs within the State of Iowa, November 12, 2012.
- Appendix I: Methodology and Supporting Tables for Employment-driven Housing Demand Forecast
- Appendix L: Public Participation Meetings
- Appendix M: Selected Survey Results

The public participation component of the Housing Study provided many different opportunities for the public to convey their housing issues and concerns. This component consisted of the following:

- Five public meetings in each of the eight delineated Iowa Study Regions, for a total of 40 public meetings. The five meetings in each Study Region consisted of two focus group meetings in two separate Study Region communities and a general public meeting. Details regarding locations of meetings and a summary of key issues identified are included in the Regional Appendices Technical Report referenced above.
- A Workshop session at the 2012 Housing Iowa Conference with approximately 60 participants.
- An online housing survey with 378 completed surveys. A summary of the results of the online survey is included as Appendix I.
- A project website including a Comments Feature and Feedback Form.

In undertaking the study, the IFA indicated that the intent was to derive data-driven answers to the following ten questions:

1. How have the housing needs of Iowans changed between 2000 and 2010 and how do those needs match the housing stock available?

2. What are the housing needs for lowans in specific demographic groups, or with specific needs, that the private market is not likely to address?
3. What are the State's workforce housing needs, how are they being addressed, and what role does workforce housing play in economic development?
4. How do the housing needs of lowans differ across urban, suburban, exurban, and rural landscapes and what is the condition of the housing available in each category?
5. What has been the impact of the housing market collapse and subsequent foreclosure crisis on lowans?
6. What are the most likely critical housing needs for lowans in the next five years?
7. What share of market does the IFA own statewide, in each major statistical area, and by program area?
8. How effective are the programs of the IFA in addressing current housing problems in Iowa and where are the gaps between private market activity and the programs of the IFA?
9. How can the IFA best prioritize its programming to address housing needs in Iowa, most effectively targeting its resources?
10. What is the best way for the IFA to fulfill its role as the chief housing agency of Iowa going forward?

The first five questions deal with the identification of Iowa's current housing needs from several perspectives and are the focus of the quantitative research in the Technical Reports and Appendices. The Analysis Summary at the beginning of the "Analysis and Forecast of Housing Needs In Iowa" report summarizes the research findings related to these first five questions. That section is reproduced here.

The public input component also identified issues related to these questions. The Study conclusions included in this Executive Summary draw from both the quantitative analysis and public input components to provide responses to Questions 6 through 10.

IOWA'S CURRENT HOUSING NEEDS (RESPONSES TO QUESTIONS 1-5)

How have the housing needs of Iowans changed?

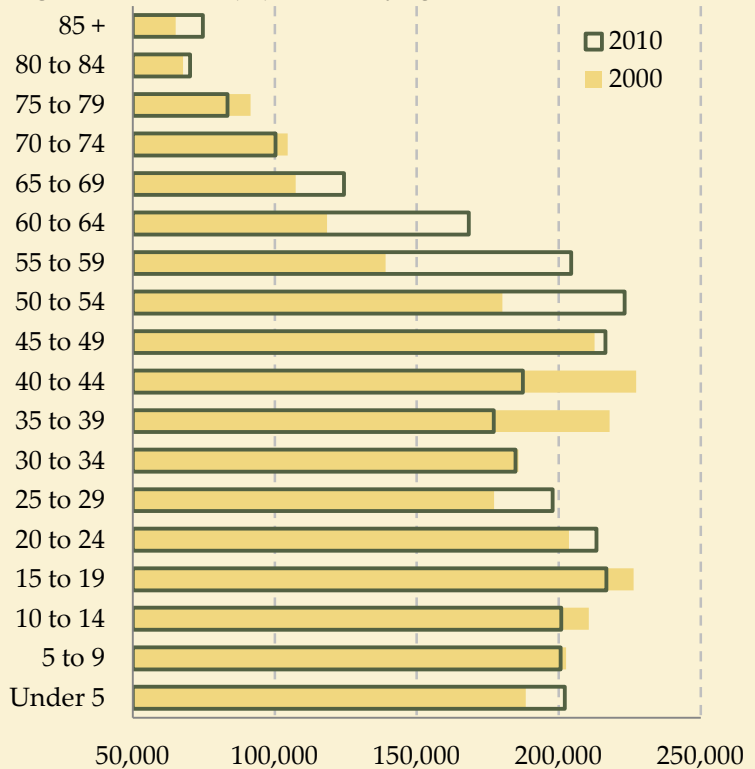
Iowa's population has become older.

Iowa's median age increased from 36.6 years in 2000 to 38.1 years in 2010. Over the decade, the state's population between the ages of 50 and 69 grew by 175,000 or 32 percent. The largest population increase over the 2000-2010 decade occurred in the 55 to 64 age cohort; which grew by more than 115,000 people or 45 percent. With the upward age shift occurring among the Baby Boomer population, the number of middle-aged adults between the ages of 35 and 49 declined rapidly over the decade from 660,000 persons in 2000 to 580,000 persons by 2010.

Iowa's population has become more diverse.

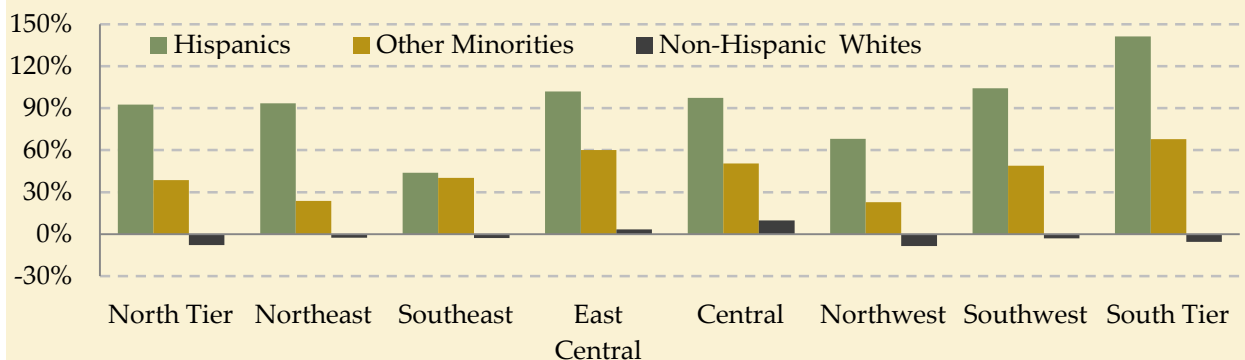
The Hispanic population, although still relatively small, is the fastest-growing segment of Iowa's population base. Hispanics now represent five percent of Iowa's population. The Hispanic population grew at an average annual rate of eight percent over the 2000-2010 decade. Polk County alone accounted for approximately one-quarter of the statewide Hispanic population growth. Outside of Iowa's metropolitan areas, the Hispanic population has grown more significantly in counties heavily concentrated in farm and food manufacturing employment.

Figure I-1: Iowa's population by age, 2000 and 2010



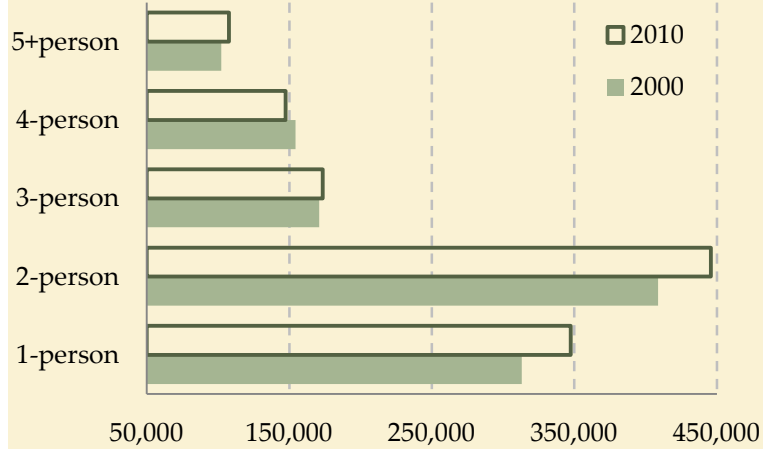
Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Figure I-2: Percent change in Iowa population by ethnicity / race, 2000 to 2010



Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Figure I-3: Iowa households by size, 2000 and 2010



Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Iowa's households are getting smaller.

Like much of the Nation, the composition of households in Iowa is changing. Nearly all household growth over the decade was the result of single- and two-person households. Nonfamily households, which tend to be smaller than family households, accounted for approximately 72 percent of household growth over the decade. The number of family households with own children (age 18 or younger) living at home declined by approximately 14,000. Consistent with the aging of Baby Boomers in Iowa, the number of households headed by a householder between

the ages of 55 and 64 grew by 70,000 or 47 percent over the decade. The aging of Baby Boomer householders, and their families, has contributed to growth in single- and two-person households as children began to leave home over the decade. Hispanic population growth contributed to the small increase in larger-size households containing five or more persons.¹

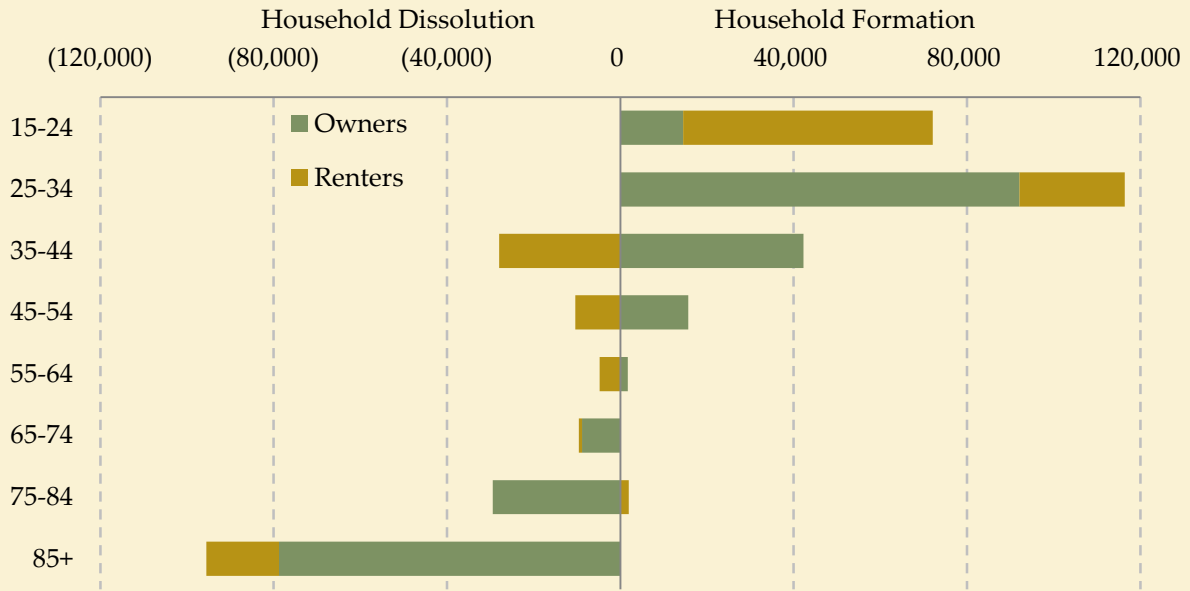
Householders between the ages of 25 and 34 formed more new households in Iowa than any other age cohort over the decade. The youngest householders (age 15 to 24) accounted for the second largest source of new household formation, with the majority being renters.² Household formation rates among homeowners remained positive over the decade for all age cohorts under age 65. Renter household dissolutions began to occur among householders aged 35 and older, and turned slightly positive again in the 75 to 84 age cohort. Younger-age household formation (below the age of 35) accounted for the majority of net household growth that occurred in Iowa between 2000 and 2010.

Although younger-aged households accounted for most new household formation over the decade, they did not represent the largest source of effective demand for new housing constructed. Effective demand for new housing over the decade was driven by middle-aged homeowners, primarily Baby Boomer households who were between the ages of 45 and 64 in 2010. Householders between the age of 35 and 64 represented 54 percent of demand for new housing constructed between 2000 and 2010, about 90 percent of which was for owner-occupied housing. Householders under the age of 35 comprised approximately 16 percent of new for-sale housing demand and 12 percent of new rental housing demand. More than 75 percent of younger households formed over the decade occupied existing housing units.

¹ Approximately seven percent of Hispanic households in Iowa are multi-generational; meaning they contain at least three generations of family members. Less than two percent of Non-Hispanic households in Iowa are multi-generational.

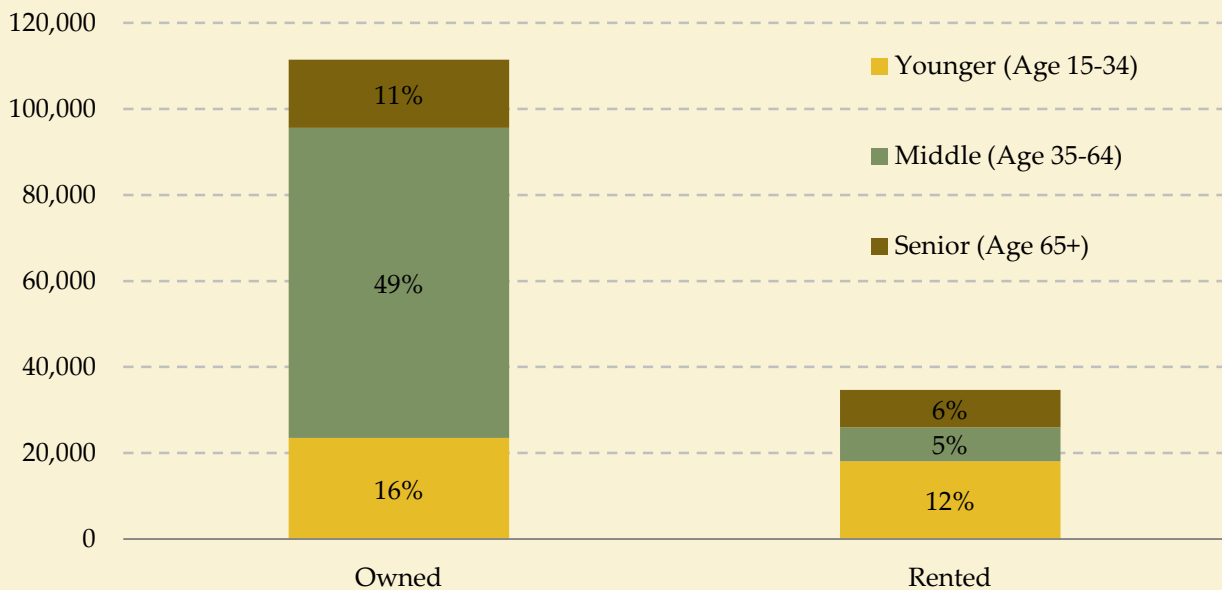
² Household formation is different than household growth. Household growth in a particular age cohort can occur over time as existing householders grow older. Household formation quantifies how changes in living arrangements result in new households being formed - such as when children "leave the nest," couples separate, or when two unrelated roommates each decide to live alone. Household dissolution describes the opposite of formation - when two or more households combine, or when ill health (or death) results in a vacated housing unit. Because changes in living arrangement are typically emblematic of life cycle events, formation rates usually decrease with age and dissolution rates increase with age.

Figure I-4: Household formation and dissolution in Iowa by age of householder and housing tenure, 2000-2010 decade



Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Figure I-5: Composition of new housing demand in Iowa by age of householder, 2000-2010 decade

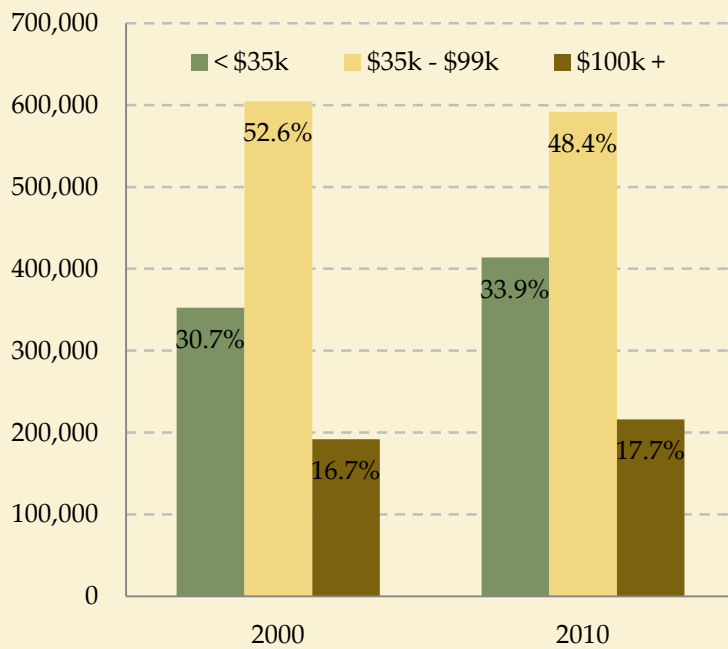


Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Household income has declined and the state is facing greater income disparity.

Average household income in Iowa, when adjusted for inflation, declined slightly over the decade by \$2,000 or three percent. In 66 of Iowa's 99 counties, real median household income declined. Consistent with an aging population, declining real wages, and an increasing number of lower-skilled immigrant laborers in some regions, the distribution of household income shifted over the decade. The number of households with annual income of less than \$35,000 grew by approximately 60,000 over the decade. The number of higher-income households (with annual income of \$100,000 or more) grew by approximately 25,000 over the decade. The number of households with annual incomes between \$35,000 and \$100,000 declined.

Figure I-6: Distribution of Iowa households by household income (\$2012)



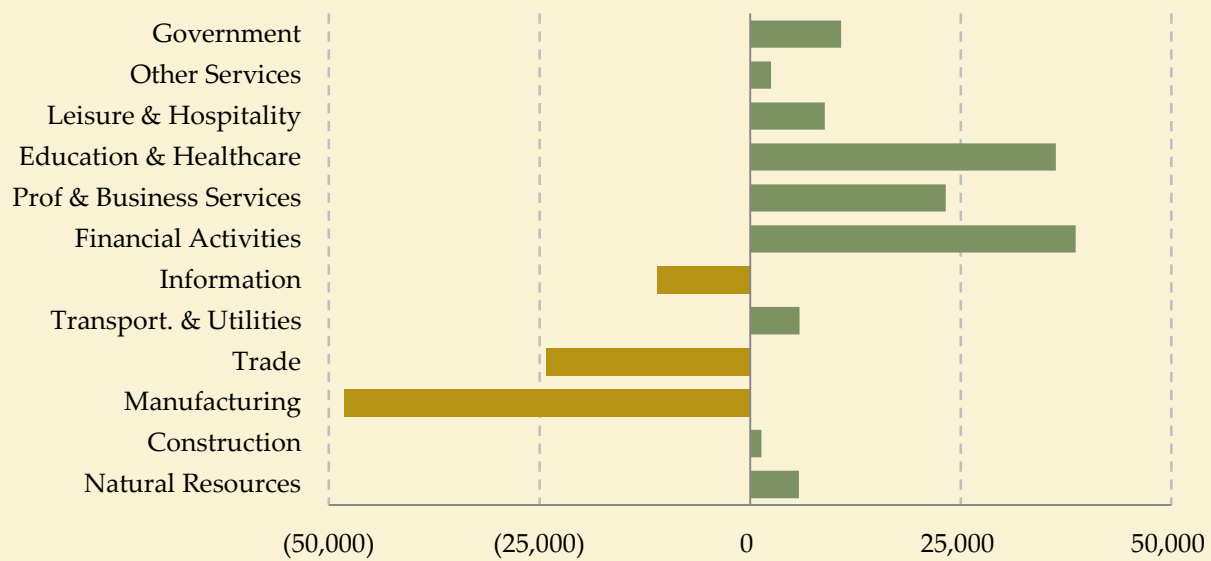
Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Iowa's economic base has continued to shift in favor of service-producing industry sectors.

Although this trend is not unique to Iowa, it has several implications for future housing demand and needs throughout the state. First, urban areas tend to provide the optimal environment for service-producing businesses to maximize opportunities for economic growth. Second, the households of workers employed in faster-growing industry sectors such as Financial Activities, Professional and Business Services, and Education and Healthcare tend to have higher incomes than the remainder of workforce households in Iowa. Just fewer than 30 percent of workers employed in these sectors are members of a household with more than \$100,000 in annual income, compared to 21 percent for all other workers employed in other sectors.

Over the 2000-2010 decade, the Financial Activities, Professional and Business Services, and Education and Healthcare sectors added 100,000 nonfarm jobs in Iowa. Employment in all other sectors declined by approximately 50,000 jobs. Jobs losses in Manufacturing and Trade (retail and wholesale) were particularly large. Continued job growth in sectors that tend to require more professional labor with higher levels of education and training will be conditioned - at least partially - upon the state's ability to provide housing that adequately responds to preferences and needs of higher-income households.

Figure I-7: Change in Iowa nonfarm employment by industry sector, 2000-2010



Sources: U.S. Bureau of Economic Analysis; Gruen Gruen + Associates.

How do housing needs differ across regions & metropolitan & rural areas?

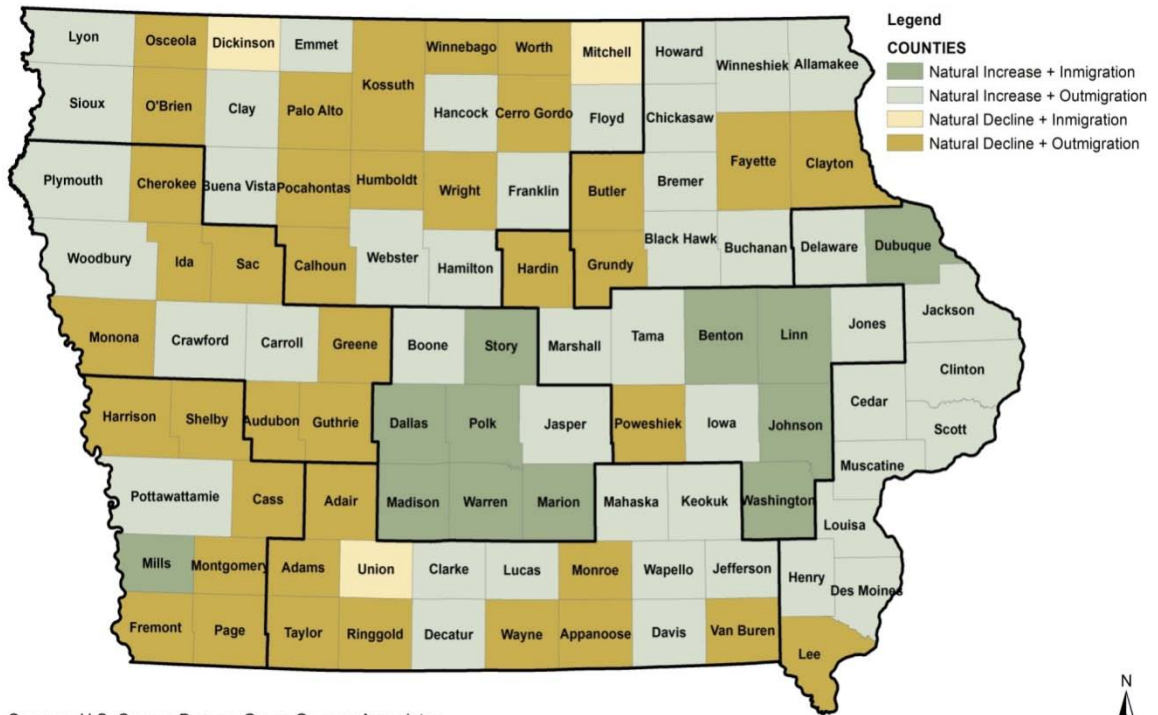
Many rural areas are faced with an eroding population, labor force, and employment base. The future housing needs of such areas are likely to be different than those of Iowa's growing metropolitan areas. Areas and communities experiencing outmigration and job losses may confront challenges associated with housing stock maintenance and disinvestment. These challenges are likely to be particularly evident in the North Tier, Northwest, and southern most counties of the state, aside from a few local exceptions. The Northeast, East Central, and Central regions of Iowa were the only regions that gained jobs, people, and households over the 2000 to 2010 period.

Population and household growth conditions across regions of the state have been quite different. The population in the Central and East Central regions of Iowa grew by more than the statewide population change over the 2000 to 2010 period. Nearly all net population gains within Iowa were concentrated in its Metropolitan counties. Outside of the Central and East Central regions, the preponderance of Micropolitan and non-Metropolitan counties experienced population declines over the past decade. Metropolitan counties have experienced population growth due to the combination of: (1) positive migration patterns; and (2) high rates of natural increase (i.e. more births than deaths). Conversely, a considerable number of

Region	Job Gains	Population Gains	Household Gains
North Tier			
Northeast	✓	✓	✓
Southeast		✓	✓
East Central	✓	✓	✓
Central	✓	✓	✓
Northwest			
Southwest		✓	✓
South Tier			
State Total	✓	✓	✓

counties over the 2000-2010 decade - particularly in the North Tier, Northwest, Southwest, and South Tier regions - suffered population losses due to outmigration and natural declines. In 84 of Iowa's 99 counties (most of which are rural), the rate of natural population change has decreased so that deaths already outnumber births. As the population in many of these regions and counties continue to age, it would not be surprising if the rate of natural decrease escalates.

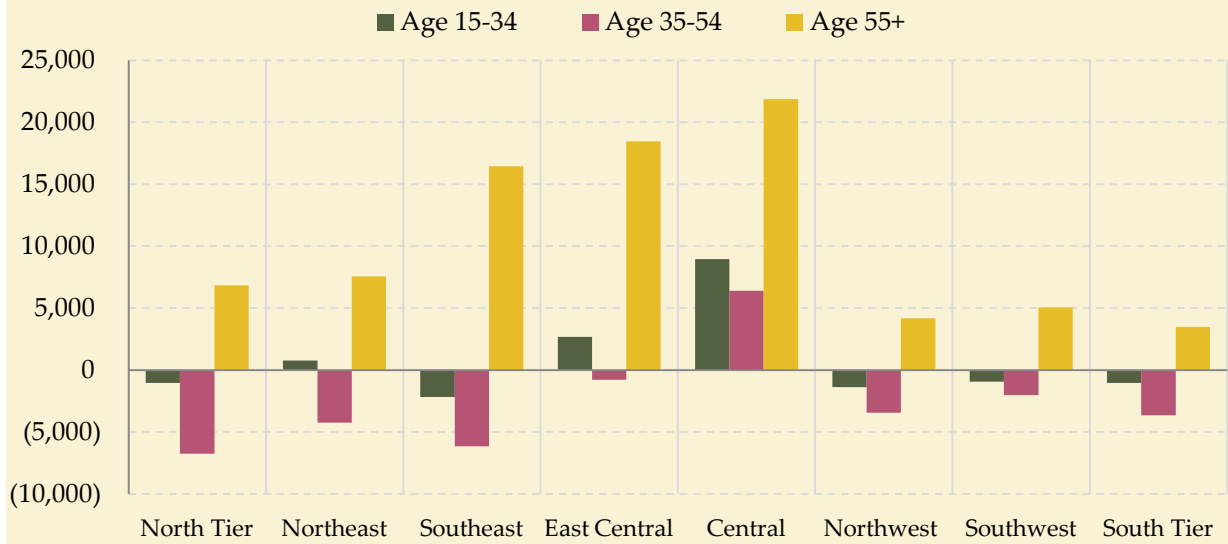
Components of Population Growth by County (2000-2009)



Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Younger households are moving from rural to metropolitan areas. Only three regions experienced positive growth in the number of younger (15 to 34 years of age) households over the decade: the Northeast, East Central, and Central regions. These are the only regions that experienced nonfarm employment growth over the period. The Central Region of Iowa was the only region to experience positive household growth among all age cohorts.

Figure I-8: Change in households by age of householder, 2000 to 2010

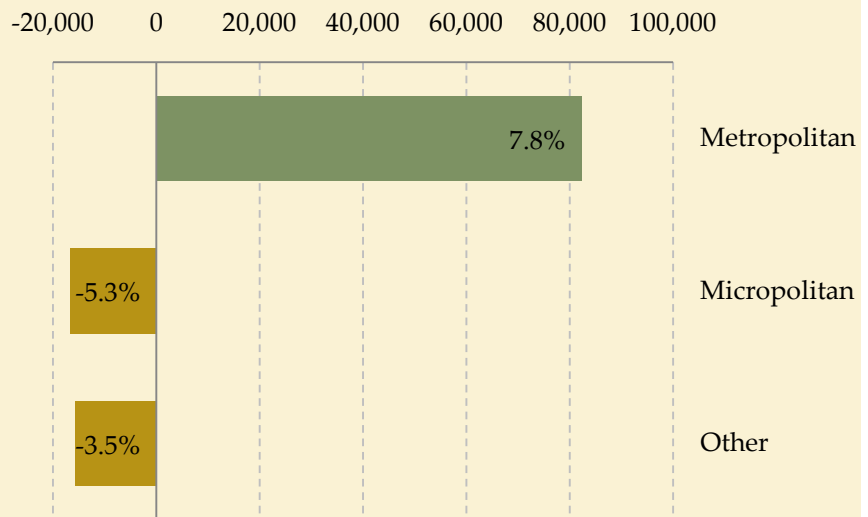


Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Small declines in younger-aged households (age 15 to 34) occurred in the North Tier, Southeast, Northwest, Southwest, and South Tier regions of Iowa. The number of households headed by a person age 55 or older grew in all regions of Iowa over the decade.

Larger urban areas are capturing most job growth. Nonfarm employment growth has been largely concentrated in Iowa's metropolitan areas and driven by financial, professional service, and education and healthcare activities. Farm employment throughout Iowa, despite strong growth in the value of agricultural production, continued to decline over the decade. Historical shifts in the structure of Iowa's employment base can be expected to continue, as the majority of future nonfarm job growth is forecast to be concentrated in the Financial Activities, Professional and Business Services, and Education and Healthcare sectors. Metropolitan areas in the Central and East Central regions of Iowa (Des Moines, Ames, Iowa City, and Cedar Rapids) grew particularly rapidly over the decade, relative to smaller urban areas and rural regions of Iowa.

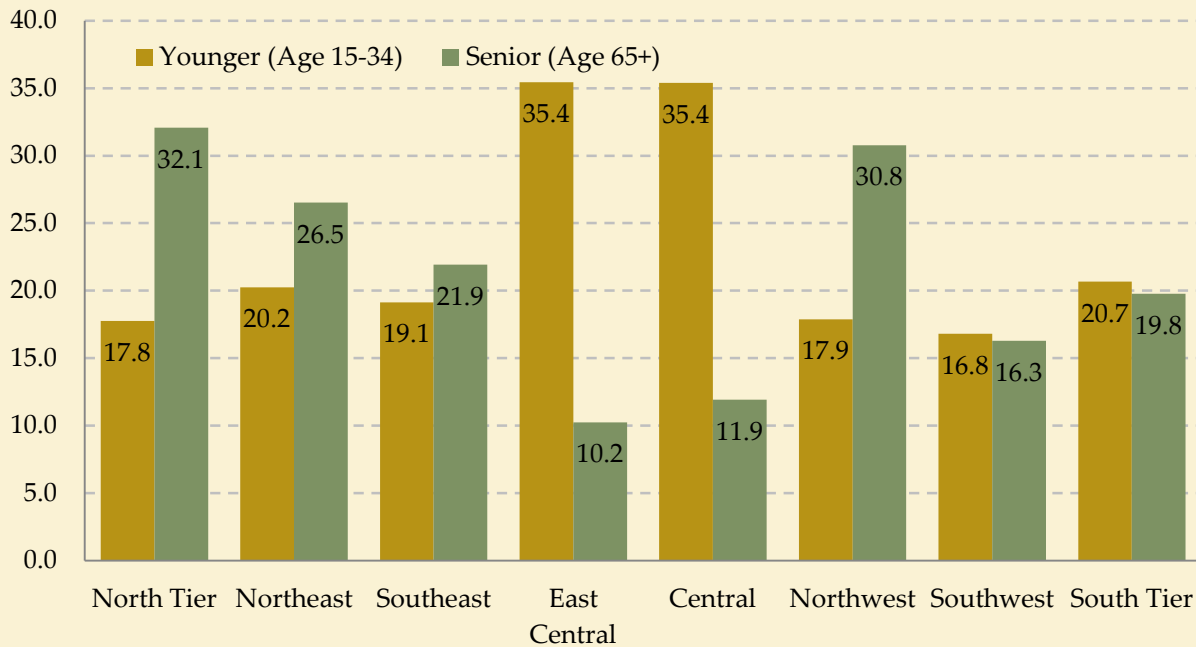
Figure I-9: Nonfarm employment change, 2000-2010



Sources: U.S. Bureau of Economic Analysis; Gruen Gruen + Associates.

The composition of effective demand for new housing varies. Middle-aged households comprised the majority of demand for new housing built over the 2000-2010 decade, which is not unusual. The ratio of owner-occupied units to rental units delivered and occupied was 3.2; indicative of Iowa's high and comparatively stable homeownership rate (the ratio approximated 2.3 nationwide). Senior (age 65+) households represented the smallest segment of overall new statewide housing demand over the decade. Outside of Iowa's metropolitan areas, however, senior households already have begun to comprise a larger share of demand than younger-aged households.

Figure I-10: Percent of demand for new housing built between 2000-2010, by age of householder



Sources: U.S. Census Bureau, 2010 American Community Survey; Gruen Gruen + Associates.

In northern regions of Iowa, senior households comprised more than 25 percent of new housing demand over the decade. In the Central and East Central regions, younger (age 15 to 34) households comprised more than 35 percent of demand - most of which was for rental housing. Younger households represented between 17 and 21 percent of total new housing demand in each other region of Iowa. Differences in the composition of new housing demand across regions can be expected to persist. Because the Central and East Central regions of Iowa are forecast to generate more than 50 percent of statewide employment growth over the 2010-2020 decade, younger- and middle-aged household formation will likely continue to occur more rapidly in these regions containing Iowa's largest metropolitan areas.

How well is the housing stock meeting housing needs?

Housing costs have increased more rapidly than household incomes. Iowa housing values increased faster than inflation over the decade. Relative to household incomes, the median cost of a home in Iowa grew by 23 percent over the decade (compared to a 26 percent increase nationwide). The median monthly cost of a rental unit in Iowa, as a percentage of income, grew from 14 to 16 percent over the decade. Again, this is not an experience unique to Iowa, but a widening gap between incomes and housing costs does present challenges - particularly as it relates to housing new and younger members of the workforce who, more often than not, occupy existing units of the housing stock. In 2000, the ratio of median home value to median income in Iowa was 2.09. By 2010, this ratio had increased to 2.57.

	2000	2010	Increase
IOWA:			
Ratio of Median Home Value to Median Household Income	2.09	2.57	+23%
Median Gross Rent as Percent of Median Household Income	14.3	15.7	+10%
UNITED STATES:			
Ratio of Median Home Value to Median Household Income	2.85	3.59	+26%
Median Gross Rent as Percent of Median Household Income	17.2	20.5	+19%

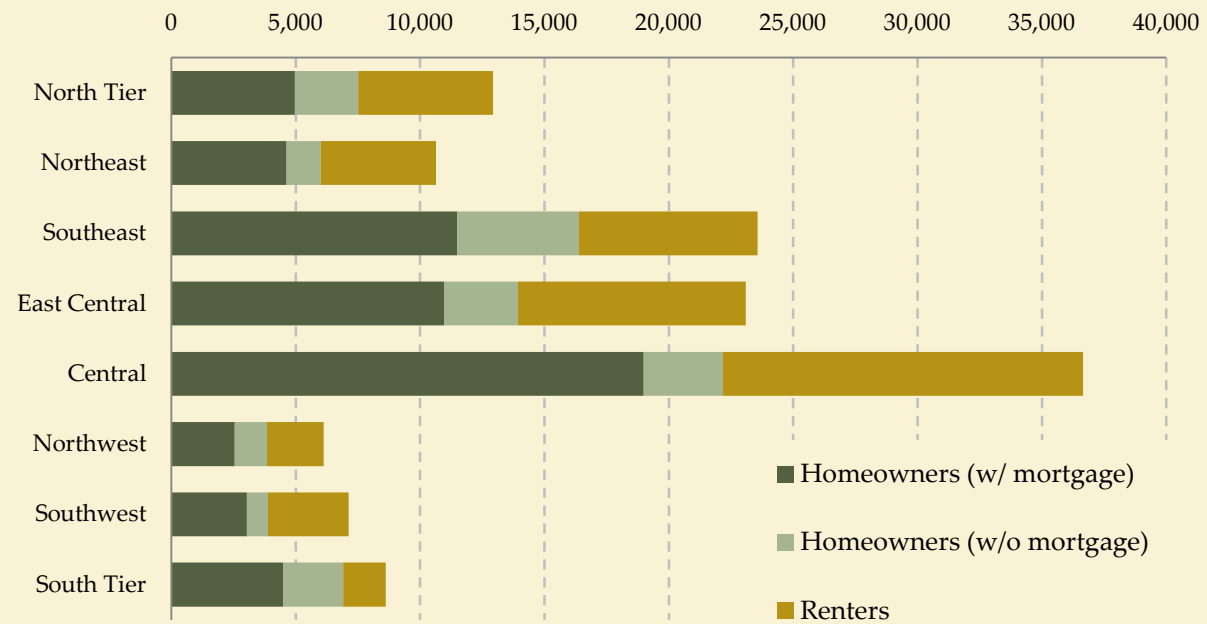
Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Owner-occupied housing values in Iowa are estimated to have appreciated relatively quickly over the decade, with the median home value growing at 4.1 percent annually. The Consumer Price Index for the Midwestern United States grew by 23 percent or 2.1 percent annually over the decade. Housing cost increases, not surprisingly, were most notable in regions of Iowa - such as the Central and East Central regions - that experienced the highest rates of job growth and new household formation. Despite this, Iowa's housing stock still remains comparatively affordable. Among neighboring Midwest states, Iowa still exhibits the lowest ratio of median home value to median household income.

Housing cost-burden rates increased for both homeowners and renters over the decade. With housing costs escalating more significantly than household incomes throughout the state, more than 45 percent of Iowa's renter households and 20 percent of Iowa homeowners were cost-burdened in 2010 (paying more than 30 percent of their income towards housing and related expenses). In 2000, only 34 percent of renter households and 14 percent of homeowners were cost-burdened.³

³ Homeowners or renters who expend more than 30 percent of their before-tax income on housing and related expenses, such as utilities, insurance, and taxes, are considered cost-burdened.

Figure I-12: Change in cost-burdened households by region and tenure, 2000 to 2010



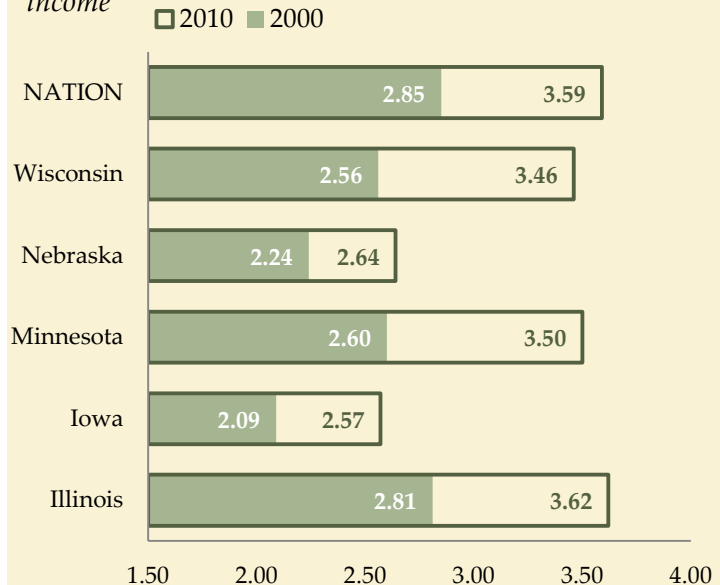
Sources: U.S. Census Bureau; Gruen Gruen + Associates.

The absolute number of cost-burdened households in Iowa grew by 129,000. Renters comprised approximately 37 percent of the cost-burdened household increase, a disproportionate share given that only 28 percent of Iowa's households were renters in 2000 and 2010. Changes in both the absolute number and percent of cost-burdened households were greatest in regions containing the preponderance of Iowa's urban population.

Housing inventory is aging and in need of rehabilitation in some regions.

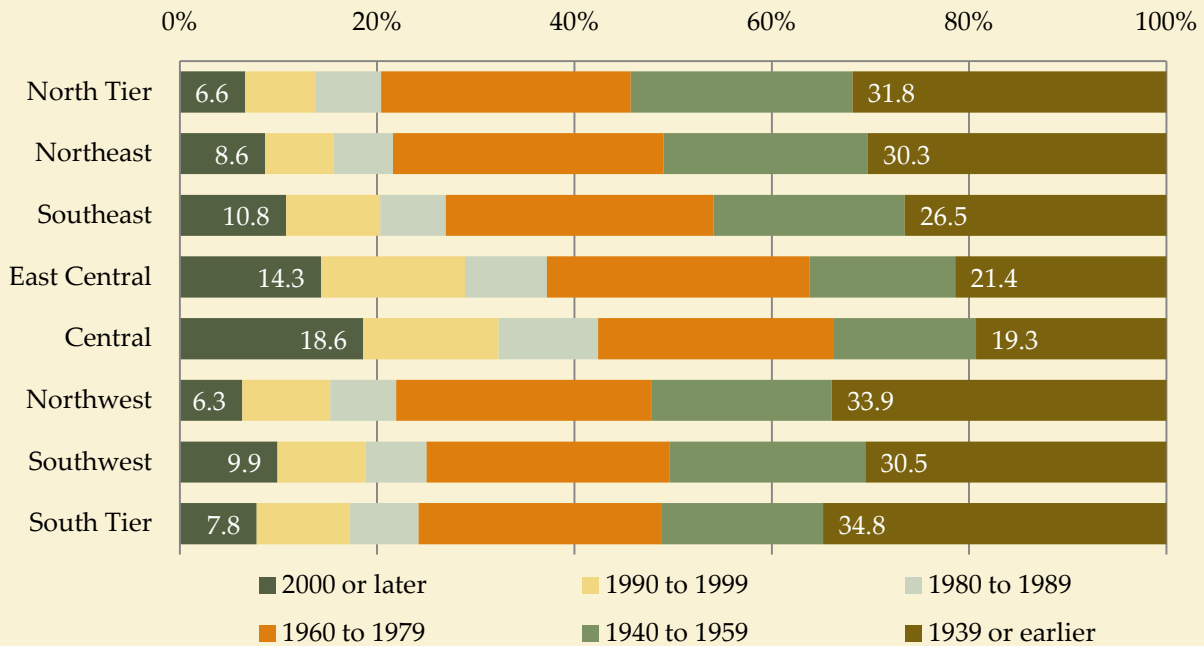
According to 2010 American Community Survey results, approximately 12 percent of Iowa's housing stock was built over the 2000-2010 decade. More than one-quarter of the state's housing inventory, however, is now greater than 70 years of age. Housing maintenance and replacement needs in areas with the oldest housing stock tend to increase. Physical deterioration of the housing stock is a reality faced by all regions of Iowa; although those experiencing limited job growth and new household formation are most likely to lack the market incentives that stimulate investment in- and maintenance of- the oldest units of the housing inventory.

Figure I-11: Ratio of median home value to median income



Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Figure I-13: Percentage of housing stock by year built, 2010

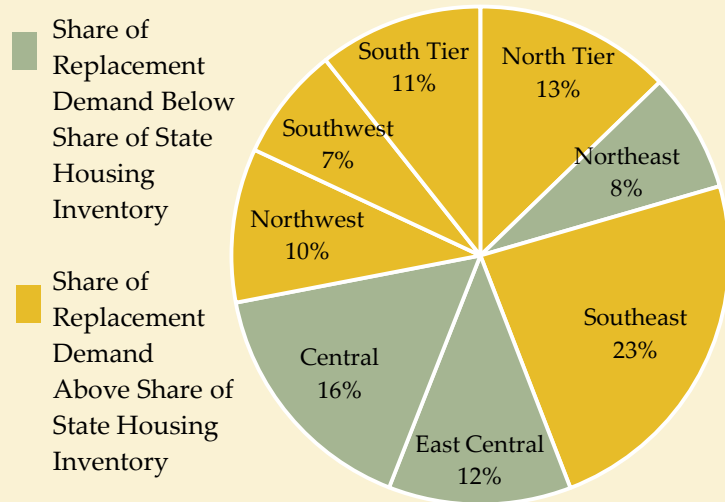


Sources: U.S. Census Bureau; Gruen Gruen + Associates.

The South Tier and Northwest regions possess the oldest housing inventory in the state, with 34 to 35 percent of units built prior to 1940. Units originally built before 1960 (so now more than 50 years old) represent the majority of existing housing supply in the North Tier, Northeast, Northwest, Southwest, and South Tier regions.

Based on Census data, approximately 50,000 housing units are estimated to have been lost (to demolition, conversion, disaster, etc.) and subsequently replaced over the 2000-2010 decade. In regions with the oldest housing inventories, replacement needs comprised the majority of demand for new units built over the decade. The Southeast, South Tier, North Tier, Southwest, and Northwest regions of Iowa comprised a disproportionate share of housing replacement demand in the past decade. These regions of Iowa comprise less than 50 percent of the statewide housing stock, but represented more than 65 percent of new housing built over the decade to replace lost units.

Figure I-14: Distribution of statewide housing replacement demand, 2000-2010



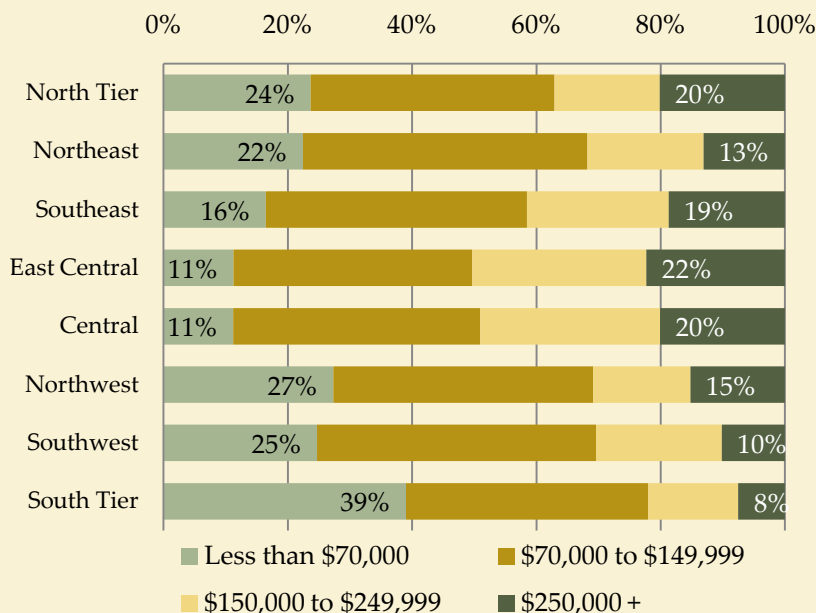
Sources: U.S. Census Bureau; Gruen Gruen + Associates.

Some regions lack higher-end housing to support local economic development.

Communities and regions in which limited new housing has been developed may lack housing that meets the needs and contemporary preferences of higher income households, many of which provide sources of specialized and skilled labor to support the provision of health and other services to the local population base. Regions experiencing limited new construction of housing over the decade, such as the South Tier or Southwest regions, possess a limited and comparatively small supply of

available higher-priced housing (less than 10 percent of units available for sale are at prices above \$250,000). By contrast, units priced at \$250,000 or above comprise more than 20 percent of the for-sale housing inventory available in Central and East Central regions of Iowa. Particularly in the South Tier, units at the lowest price points (below \$70,000) comprise a disproportionately large share of housing available for sale.

Figure I-15: Percent of for-sale housing available by price, 2012

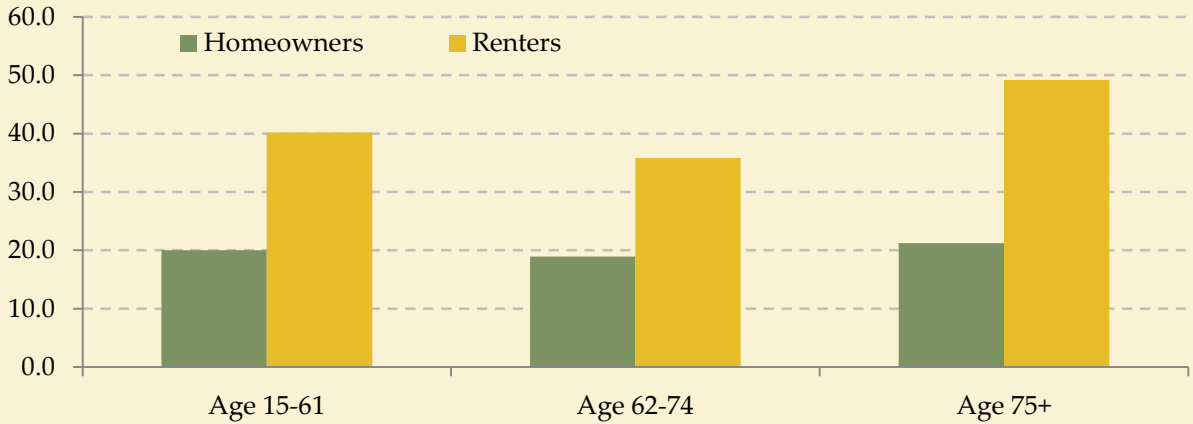


Sources: Iowa Association of Realtors; Gruen Gruen + Associates.

What are the housing needs for Iowans in specific demographic groups that the private market is not likely to address?

Elderly renters. According to the U.S. Department of Housing and Urban Development (HUD), a high proportion of elderly renters in Iowa have a housing problem related to cost-burdens, overcrowding, or inadequate facilities. The vast majority (more than 80 percent) of older households in Iowa own housing. Older households that do rent tend to be challenged to find adequate rental housing. Approximately 50 percent of renters age 75 or older are estimated to experience a housing problem.

Figure I-16: Percent of elderly and non-elderly households in Iowa with a HUD-defined housing problem



Sources: HUD, CHAS Dataset 2006-2008; Gruen Gruen + Associates.

Low/very low income households who are severely cost-burdened. In 2010, more than 84 percent of households with incomes below \$20,000 were unable to find affordable rental housing (costing the equivalent of not more than 30 percent of income). More than three-quarters of these low income renter households spent 35 percent or more of their income on housing. Only 58 percent of such households expended 35 percent or more of their income on rental housing in 2000. The balance between low income renter households and the number of rental units available at prices affordable (30 percent of income) to those households shifted considerably over the 2000-2010 decade.

	2000	2010	Change
Number of Renter Households with Annual Income Below \$20,000	128,600	126,500	(2,100)
Number of Rental Housing Units Affordable to Them	159,500	87,500	(72,000)

Sources: U.S. Census Bureau; Gruen Gruen + Associates.

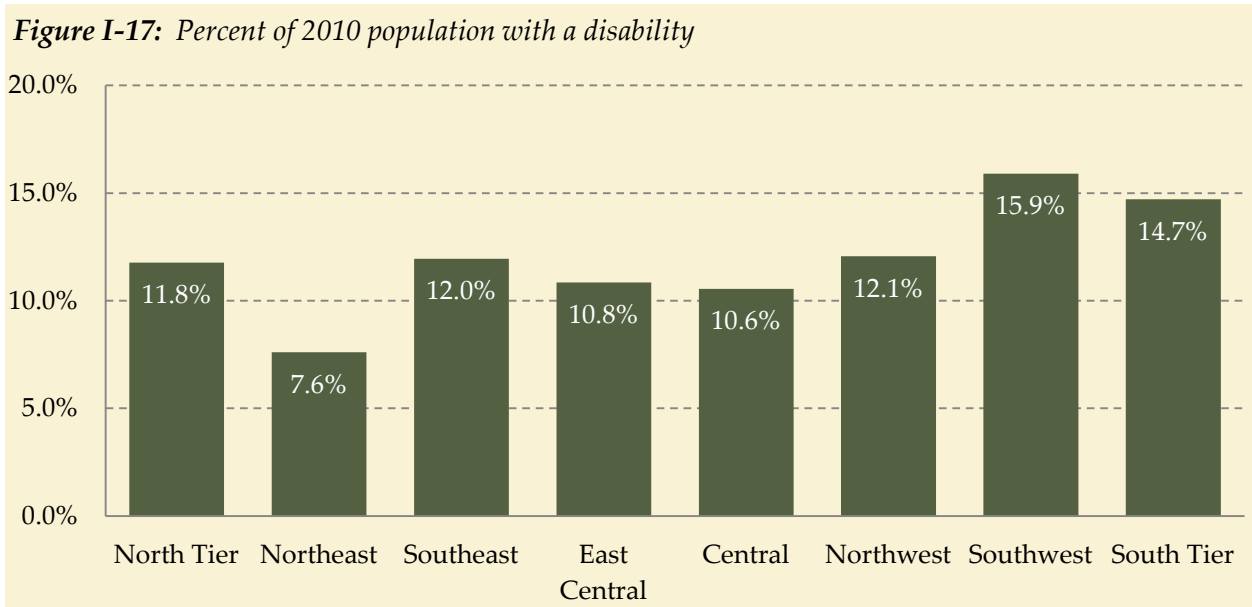
In 2000, based on Census data, Iowa contained a surplus of approximately 30,000 rental units at prices affordable

to lower-income households. By 2010, a relatively large deficit of nearly 40,000 units existed. The number of renter households with incomes below \$20,000 remained essentially stable over the decade, while the supply of units with monthly gross rents below \$500 declined by more than 70,000. This is emblematic of a growing value gap for affordable rental housing, in which the costs to build new housing - or rehabilitate existing housing - exceed supportable market rents in many areas. The persistently high number of renter households who can afford only minimal housing costs, at the same time, tends to lead to the deterioration and eventual loss of older, smaller, and lower-priced non-subsidized housing meeting the housing needs of many lower-income households in Iowa.⁴

Persons with disabilities have a unique housing need (often related to accessibility, mobility, or in-unit care). As Iowa's population ages, the numbers of persons with a special housing need related to

⁴ As summarized in the U.S. Department of Housing and Urban Development's Spring 2011 edition of *Evidence Matters*, these properties - because of their age and location - tend to "operate at modest rents, which benefit low-income tenants but jeopardize the long-term financial viability of the projects, and their accumulating unmet maintenance needs ultimately result in high loss rates."

a disability can be expected to grow. According to the 2010 Census, approximately 352,549 Iowans over the age of five (11.5 percent of the State population) have one or more disabilities. The Census defines disability as a mental, physical, or health condition that lasts over six months. Given the fact that 45 percent of these individuals are over the age of 75, the percentage of the population with disabilities is likely to increase as the population ages in the coming decades. Figure I-17 shows the percent of the population with a disability by region.



What has been the impact of the housing market collapse and subsequent foreclosure crisis on Iowans?

A review of secondary data suggests the following key conclusions with respect to the scope of foreclosure problems in Iowa:

- The rate of foreclosure in Iowa has and continues to be considerably lower than many other states and regions of the country;
- Undoubtedly a reflection of Iowa's comparatively affordable housing market and less severe job losses resulting from the Great Recession, the rate of mortgage delinquency is quite low. Fewer homeowners falling behind on mortgage payments naturally results in a lower rate of foreclosure action;
- High-risk mortgage loans - such as subprime, jumbo, and Alt-A loans - represent a much smaller share of active loans throughout the state than they do throughout the Nation;
- On-the-whole, Iowa's metropolitan areas have been less severely impacted by the foreclosure crisis than its micropolitan or rural areas. This is not surprising given the patterns of employment growth and employment decline in such areas; and

- While the rate of foreclosure is low in Iowa, concentrations of foreclosure activity in pockets of several urban areas leave these areas more vulnerable to negative destabilizing effects.

Programs and policies have been identified that can effectively address challenges associated with foreclosure-related neighborhood and housing problems and are discussed in Chapter III.

Forecast of Workforce Housing Demand: 2010-2020

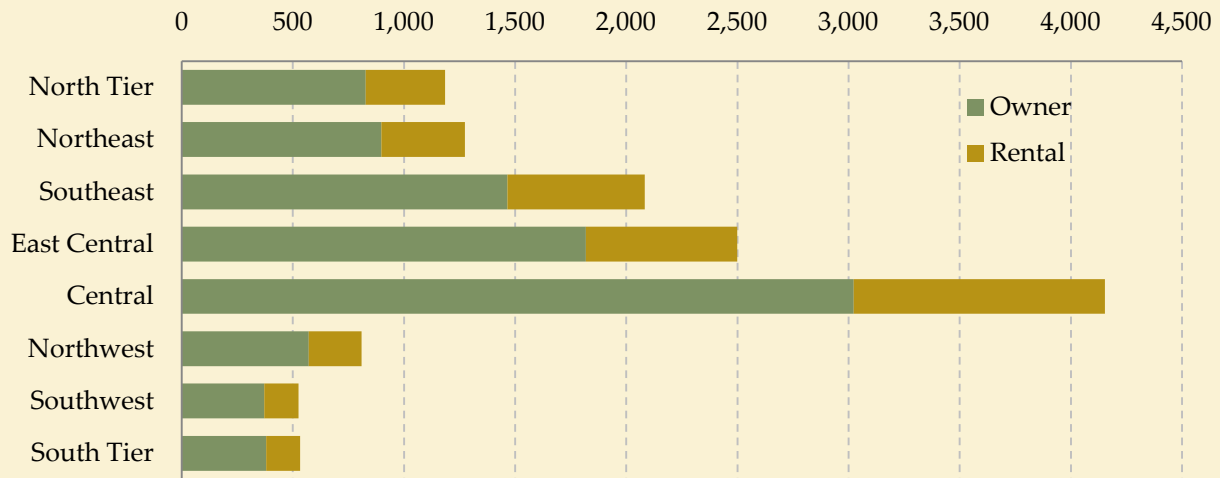
Job growth is forecast to occur most rapidly in Iowa's metropolitan areas containing higher-skilled service sectors. According to the Labor Force & Occupational Analysis Bureau of the Iowa Workforce Development Department, over the 2010-2020 decade, the State of Iowa is forecast to add more than 230,000 nonfarm jobs. Financial activities, professional and business services, and education and healthcare are forecast to comprise 53 percent of statewide job growth over the decade.

Single- and two-person households are forecast to comprise the majority, or 55 percent, of workforce household growth. Based on the demographic and household composition characteristics of Iowa's workforce, the employment growth forecast of approximately 235,000 new jobs means that approximately 131,000 new workforce households⁵ will be added within the state over the 2010 to 2020 decade. The majority - 55 percent - of these additional households will consist of one- or two-persons. Workforce households containing two-persons and no children comprise nearly one-third of the total household growth forecast. Most of this growth can be expected to occur in the Central and East Central regions of Iowa which are forecast to comprise 51 percent of statewide workforce household growth. The Southwest, Northwest, and South Tier regions of Iowa are each forecast to comprise less than seven percent of statewide workforce household growth over the 2010-2020 decade.

Approximately 37,000 rental units and 94,000 owner-occupied units are forecast to be needed to accommodate workforce growth. Rental units are forecast to comprise approximately 28 percent of future housing demand associated with the forecast increase in employment and associated workers. The majority, or 72 percent, of workforce housing demand is forecast to be for owner-occupied units. Average annual workforce housing demand (for new or existing units) is forecast to exceed 4,000 units per year in the Central Region and approximately 2,000-2,500 units per year in each the Southeast and East Central regions.

⁵ A "workforce household" contains at least one active member of the labor force. Approximately 62 percent of current workforce households in Iowa contain more than one worker.

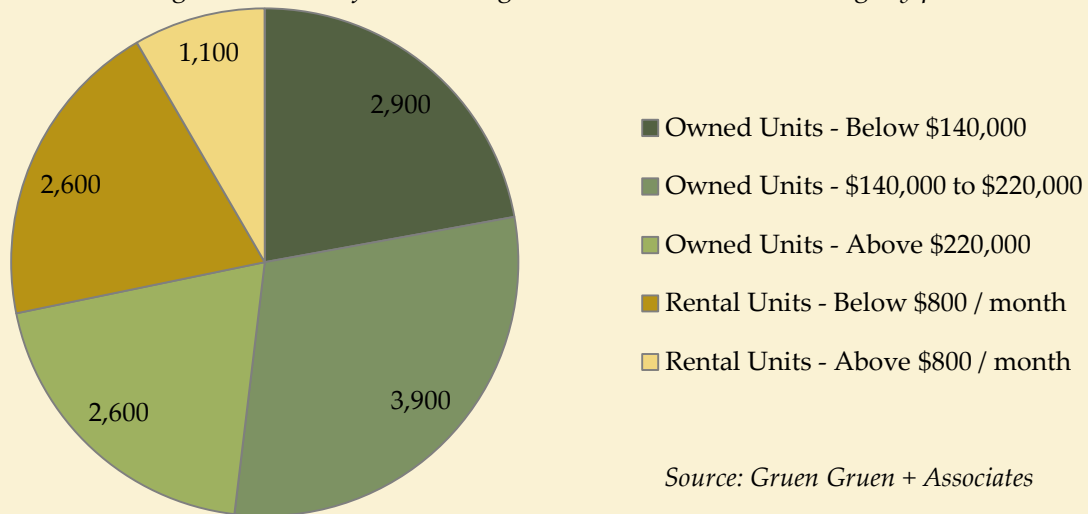
Figure I-18: Average annual workforce household growth, 2010-2020, number of units needed (new



Source: Gruen Gruen + Associates

Moderately-priced owner-occupied units are forecast to comprise the largest component of workforce housing demand. Owner-occupied units priced between \$140,000 and \$220,000 represent 3,900 units of demand annually or approximately 30 percent of total statewide workforce housing demand. For-sale units priced below \$140,000 and above \$220,000 each represent about 20 percent of annual workforce housing demand.

Figure I-19: Average annual workforce housing units needed (new or existing) by price, 2010-2020

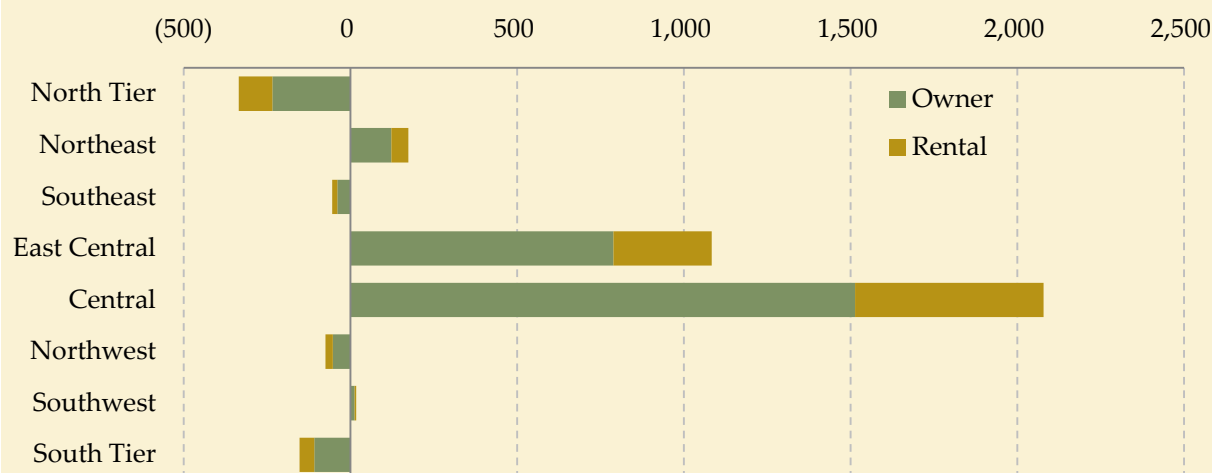


Source: Gruen Gruen + Associates

Lower-priced rental units, with monthly gross rents below \$800, comprise another 2,600 units of annual workforce housing demand or approximately 20 percent of total statewide need. Rental units with monthly rents exceeding \$800 per month comprise a relatively small share of overall workforce housing demand at less than eight percent of the total. The forecast addition of nearly 45,000 jobs in lower-wage sectors such as Leisure and Hospitality, Retail Trade, and Other Services can be expected to stimulate a need for low-cost rental housing.

If employment growth does not materialize as forecast, many regions of Iowa are likely to continue to face erosion of housing demand. The Iowa Workforce Development Department's forecasts of nonfarm employment predict that positive job growth will occur in all regions of Iowa over the 2010-2020 decade. Over the past decade, as reviewed, job growth did not occur uniformly throughout the state. If historical patterns of employment growth and decline persist, the East Central and Central regions can be expected to experience an even larger share of statewide workforce housing needs. If historical nonfarm employment growth rates (from the 2000-2010 period) are applied to the forecast of future workforce household change by region of Iowa, the East Central and Central regions would be expected to respectively add approximately 1,000 and 2,000 workforce households per year. The Northeast region would experience average annual workforce housing needs of approximately 200 units per year. The workforce in each other region of Iowa would decline, resulting in declining demand for workforce housing.

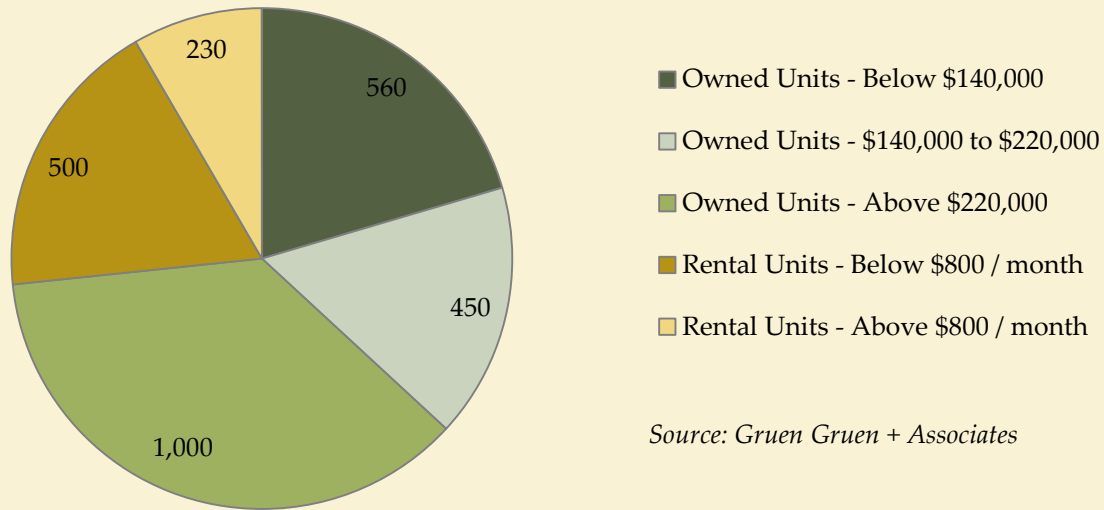
*Figure I-20: Average annual workforce household growth (or loss), 2010-2020, historical trendline alternative forecast**



**Based on historical nonfarm employment growth rates that occurred over past decade.
Source: Gruen Gruen + Associates*

If the Iowa Workforce Development Department employment forecast does not materialize, the composition of new workforce housing demand is also likely to be different. Owner-occupied units priced above \$220,000 would comprise approximately 36 percent of annual statewide workforce housing demand. Rental units with monthly rents below \$800 would comprise about 18 percent of demand. If historical, rather than forecast, employment growth patterns prevail over the current decade, the composition of demand will primarily differ because an even larger share of workforce growth will likely be concentrated in Iowa's metropolitan regions.

Figure I-21: Average annual workforce housing units needed (new or existing) by price, 2010-2020, historical trendline alternative forecast



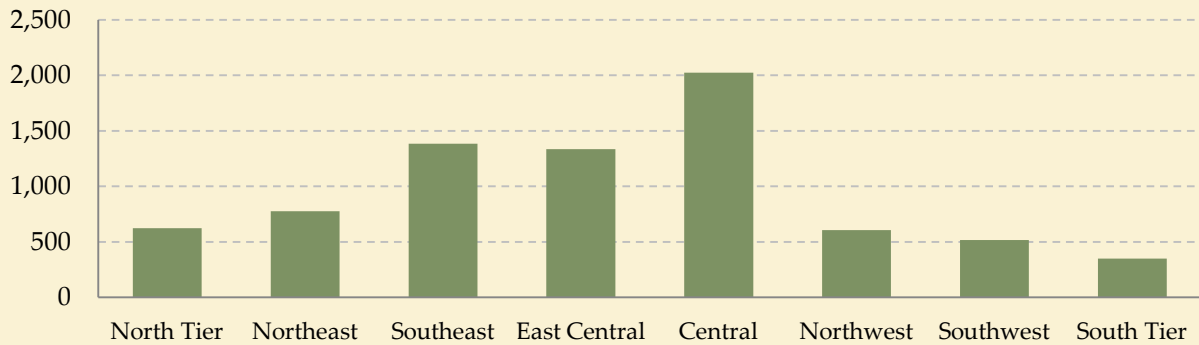
Source: Gruen Gruen + Associates

Forecast of Senior Housing Demand: 2010-2020

Iowa's senior (age 65+) population is forecast to grow by 26 percent or 118,000 over the 2010-2020 decade. Seniors between the ages of 65 and 74 are forecast to comprise approximately 88 percent of this population growth. Senior population growth is expected to occur most rapidly in metropolitan regions of Iowa with the Southeast, East Central, and Central regions forecast to experience the highest senior population growth rates over the decade. The number of senior households is forecast to grow by 78,000 statewide. Single- and two-person senior households are forecast to comprise more than 80 percent of that growth.

An additional 7,600 seniors over the decade can be expected to require beds or units in group quarters living facilities, such as skilled nursing facilities and residential care centers, if the share of the current senior population residing in group quarters is representative of the growth forecast to occur. The Southeast, East Central, and Central regions comprise 75 percent of the population growth forecast to occur among persons aged 75 or older in Iowa. Because older seniors are more likely to experience housing problems related to health or disability needs, the forecast suggests that a disproportionate share of such housing needs will likely apply to these regions.

Figure I-22: Forecast growth in senior group quarters population, 2010-2020



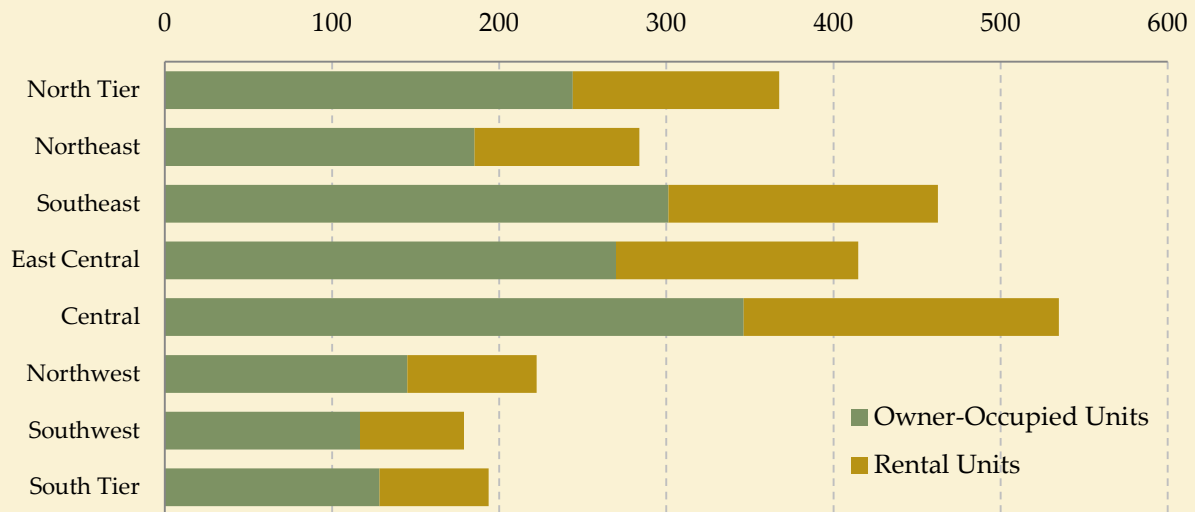
Source: Gruen Gruen + Associates

Many seniors prefer to remain in their home and community as they age. A variety of surveys indicate most older households, including Baby Boomers, plan to remain in their existing homes. In Iowa, about six percent of the senior (age 65+) population and seven percent of the Baby Boomer population (age 45 to 64) moved in 2010. Annual turnover rates for renters are much higher than for those occupying owned housing, but the vast majority (more than 80 percent) of Iowa's seniors own housing. According to the 2011 National Association of Realtors survey, only four percent of seniors indicated they are planning to buy a home within the next three years due to retirement or aging issues. In Minnesota, a recent survey of Baby Boomers indicated that the majority (68 percent) were unlikely to move in the next 10 years, and that 3-in-4 moves would likely be to owner-occupied housing.⁶

Average annual demand for new housing attributed to senior household turnover is forecast to be approximately 2,600 units per year statewide. Owner-occupied units are forecast to comprise approximately 65 percent of new senior housing demand or 1,700 units annually. Rental units are forecast to comprise 35 percent or 900 units of annual demand. Over the 2010-2020 period approximately 27,000 additional housing units may be needed to accommodate the growth and turnover of senior households. Demand in each of the Southeast, East Central, and Central regions is forecast to exceed 400 units per year. Average annual demand in the Northwest, Southwest, and South Tier regions is forecast to approximate 200 units per year.

⁶ "2010 Minnesota Baby Boomer Survey: Findings for Urban, Suburban and Rural Boomers." *Aging 2030 Issue Brief-Examining Issues Critical to the Age Wave*. Minnesota Department of Human Services.

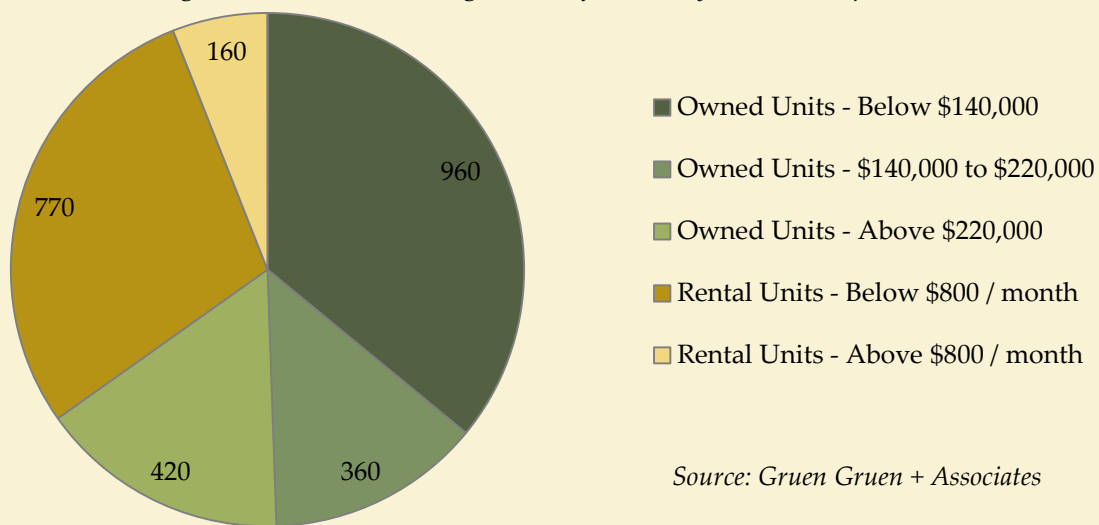
Figure I-23: Forecast average annual demand for new senior housing units, 2010-2020



Source: Gruen Gruen + Associates

A large share of demand for owner-occupied housing is forecast to materialize at price points below \$140,000. The majority of rental demand forecast over the decade is also at lower price points below \$800 in monthly rent. Approximately 55 percent of for-sale housing demand attributed to seniors in Iowa over the 2010-2020 decade is forecast to materialize at price points below \$140,000. The absolute numbers of the units needed in some of Iowa's larger and more metropolitan regions exceed 150 units annually. Statewide demand for owner-occupied housing units at prices below \$140,000 totals approximately 960 units annually.

Figure I-24: Average annual senior housing demand forecast by tenure and price, 2010-2020

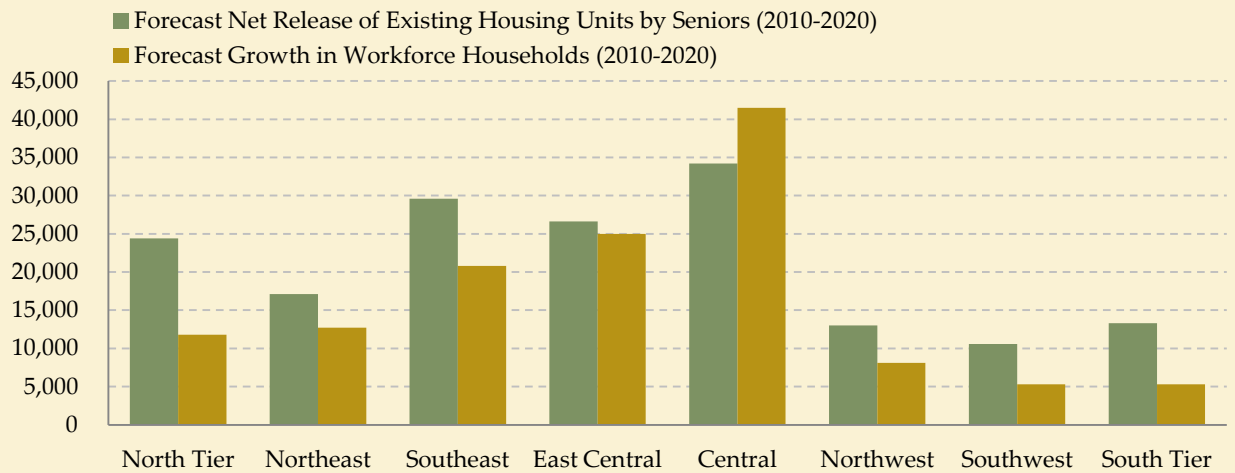


Source: Gruen Gruen + Associates

More than 80 percent of senior rental housing demand is forecast at monthly rents below \$800. This equates to an annual demand of 770 units statewide. Demand for new rental units at above \$800 in monthly rent is forecast to comprise only eight percent of the total senior housing demand or approximately 160 units annually.

Senior households will release more housing units than they will absorb. Seniors create demand for new housing, but they also contribute to the supply of housing available in a region. The forecast of senior household growth over the 2010-2020 decade indicates that seniors can be expected to release approximately 170,000 units statewide.

Figure I-25: Forecast workforce household growth relative to existing housing units likely to be released by senior households, 2010 to 2020



Source: Gruen Gruen + Associates

Collectively, in the East Central and Central regions, future workforce household growth is forecast to exceed the number of existing housing units released by seniors over the decade. The type, condition, and cost of the units “turned over” by seniors will be critically important to regional economic growth. Conversely, in regions such as the North Tier, South Tier, or Southwest, seniors are forecast to release more than twice as many units as younger workforce households are forecast to absorb over the decade. These regions already exhibit high housing vacancy rates, and the aging of the population can be expected to continue to contribute to an oversupply of housing.

STUDY CONCLUSIONS (RESPONSES TO QUESTIONS 6-10)

What are the most likely critical housing needs for Iowans in the next five years?

QUANTITATIVE ANALYSIS

The Analysis and Forecast of Housing Needs in Iowa Technical Report concluded that the following are the most likely critical housing needs in the next five years:

- Workforce housing for all income levels.**
- New and affordable senior housing.**
- Accommodating preferences of elderly to age in place.**
- Housing stock reinvestment, maintenance and absorption.**
- Preservation of existing multi-family rental units available at low or moderate rents.**

The Technical Report documentation of these needs is summarized in this Section.

1. **Workforce housing for all income levels**, particularly affordable rental housing and for-sale housing at above median price points. The key challenges in this area are:
 - Providing housing that meets the needs and/or contemporary preferences of higher-income households, including professionals, managers, and skilled workers being recruited to regions.
 - Providing rental housing that is affordable to lower-wage workers and larger-sized workforce households.
 - Encouraging the rehabilitation/reuse of existing units released by older households.

The need for workforce housing is expected to grow by 131,000 new workforce households in the coming decade. Job growth from 2010-2020 is expected to be concentrated in the Central and East Central regions of Iowa (Figure 1). Financial Activities, Professional and Business Services, and Education and Healthcare represent 53 percent (53%) of forecast growth, as indicated in Figure 2. About 52 percent (52%) of these jobs pay in the range of \$35,000-\$99,000 per year, while almost 30 percent (30%) pay over \$100,000 annually (Figure 3).

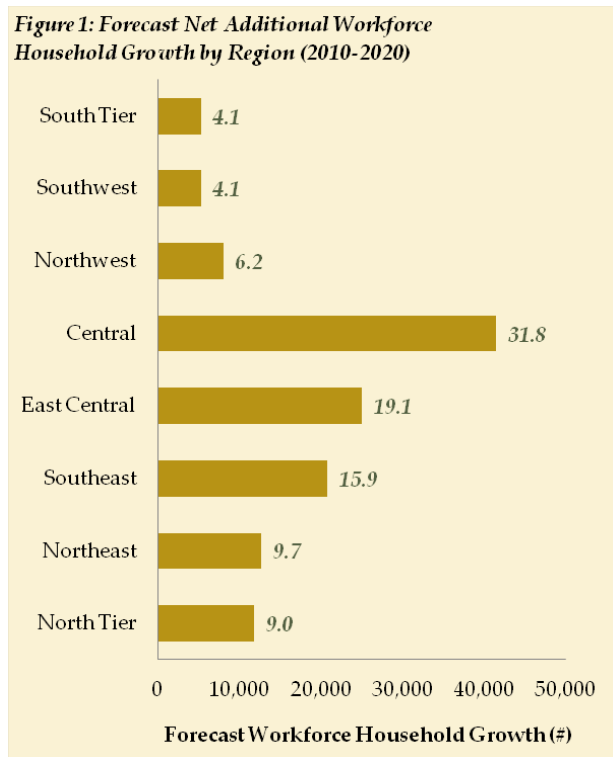


Figure 2: Forecast Job Growth by Sector for State of Iowa (2010-2020)

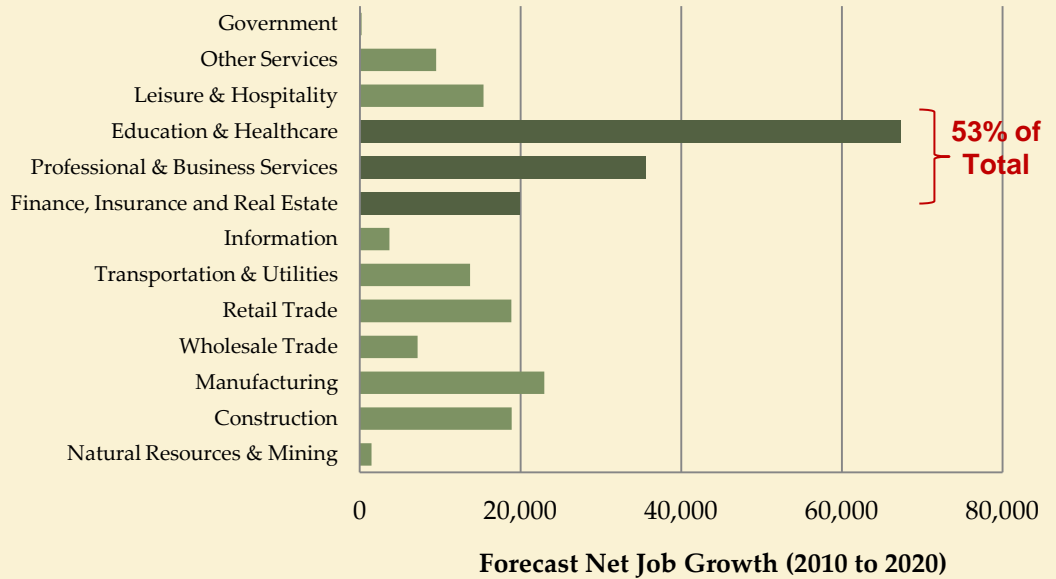
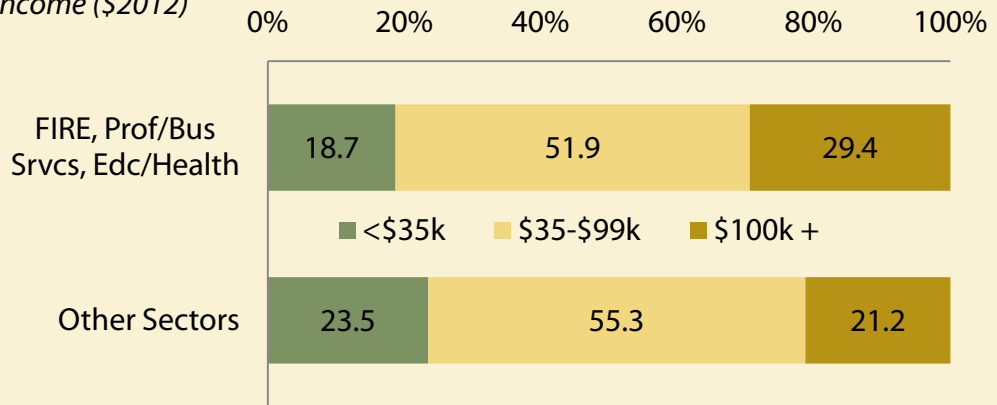


Figure 3: Distribution of Iowa's workforce by industry sector and household income (\$2012)

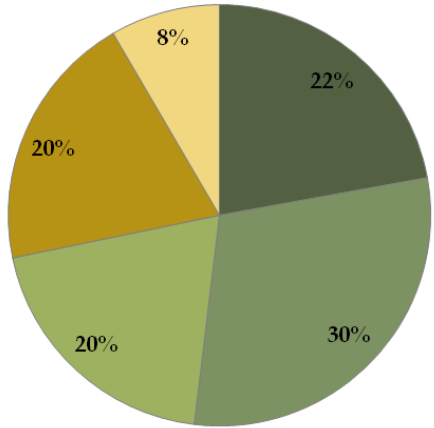


Sources: U.S. Census Bureau, 2010 ACS PUMS, Gruen Gruen + Associates.

The 2020 forecast of workforce household growth by tenure and price of housing is shown in Figure 4. Seventy-two percent (72%) of the total forecast workforce housing demand is projected to be owned units, with 28 percent (28%) of that total for owned housing for units valued over \$220,000 and 69 percent (69%) for units over \$140,000. Of the 28 percent (28%) of total demand that is for rental units, 71 percent (71%) of that demand is for units valued below \$800 per month.

Figure 4: Average annual workforce housing units needed (new or existing) by price, 2010-2020

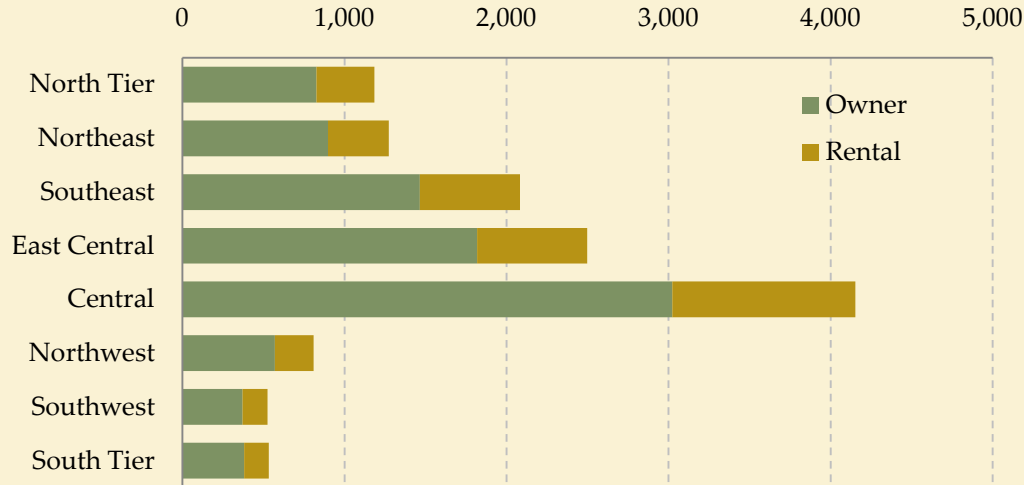
- Owned Units- Below \$140,000
- Owned Units- \$140,000 to \$220,000
- Owned Units- Above \$220,000
- Rental Units- Below \$800 / month
- Rental Units- Above \$800 / month



Source: Gruen Gruen + Associates

Figure 5 shows the forecasted 10-year workforce household growth by tenure and region. The great majority of that growth is projected to occur in Central, East Central, and Southeast regions.

Figure 5: Average annual workforce household growth, 2010-2020, number of units needed (new or existing) by tenure and region



Source: Gruen Gruen + Associates

For both owner-occupied and rental units, there are existing mismatches between the price range of units available and the price range of units needed (Figures 6 and 7). The biggest mismatches for owned housing are an oversupply of houses valued less than \$100,000 and an undersupply of houses valued over \$220,000.

For rental housing, the biggest mismatches are an undersupply of units valued under \$600/month and over \$1,250/month, and an oversupply of units between \$600 and \$1,250.

Figure 6: Owner-Occupied Workforce Housing Need and Supply

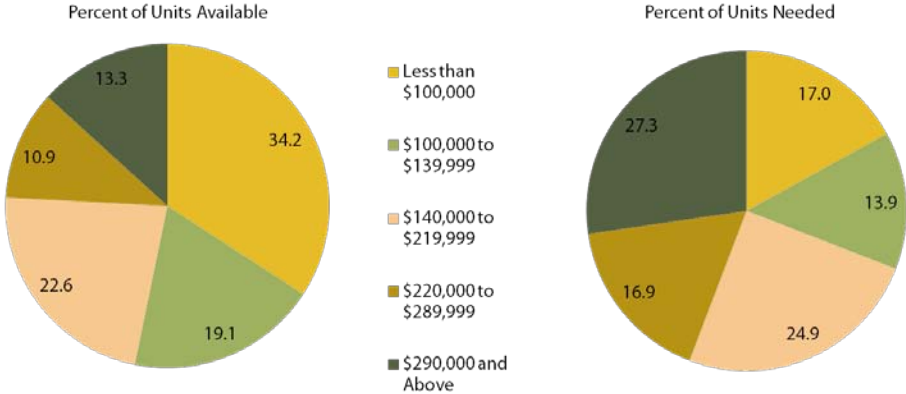
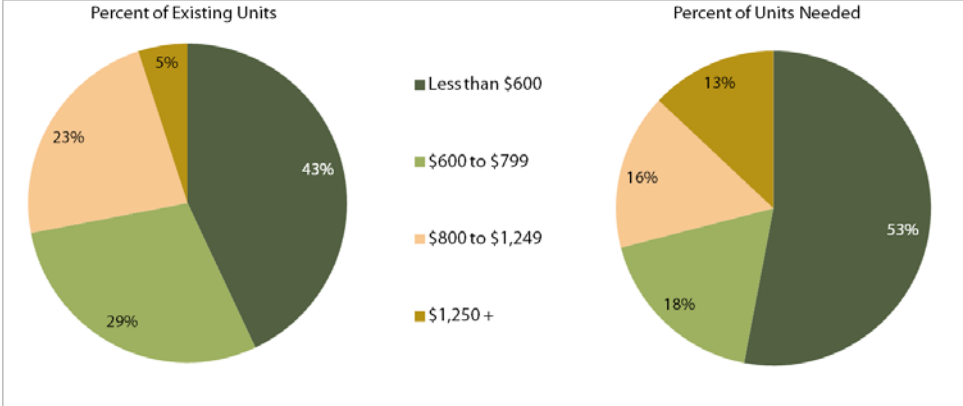


Figure 7: Rental Workforce Housing Need and Supply



Constructing new workforce rental units will likely be a significant challenge due to the gap between current rental rates and the rates needed to support new construction, as shown in Figure 8. While 53 percent (53%) of the rental demand is for units under \$600/month, a monthly subsidy of \$250 to \$400 is needed to construct new one-bedroom apartments at that rent level. Monthly subsidies increase to \$900 to \$1,200 for three-bedroom units.

Figure 8: Estimate of Monthly Apartment Rents Needed to Support New Construction Costs			
	1-Bedroom Unit <i>800-Square-Foot Average Unit Size</i>	2-Bedroom Unit <i>1,100-Square-Foot Average Unit Size</i>	3-Bedroom Unit <i>1,400-Square-Foot Average Unit Size</i>
Total Development Cost Per Unit ¹	\$93,000 - \$115,000	\$128,000 - \$154,000	\$163,000 - \$196,000
Monthly Gross Rent Necessary to Support New Construction ²	\$850 - \$1,000	\$1,150 - \$1,400	\$1,500 - \$1,800

¹ Not including land acquisition costs. Based on a review of RSMeans construction cost data for 3-story apartment buildings within Iowa. Assumes soft costs (i.e. design, engineering, legal, entitlement, permits) comprise 20 percent (20%) of total construction cost. Total development costs per unit include a 12 percent (12%) developer return on cost, or profit margin.

² Calculations assume operating expenses comprise 45 percent (45%) of gross rents and a six percent (6%) capitalization rate on the sale of an apartment property.

Sources: RSMeans, *Quick Cost Calculator*; National Apartment Association, *2011 Survey of Operating Income & Expenses*; Gruen Gruen + Associates.

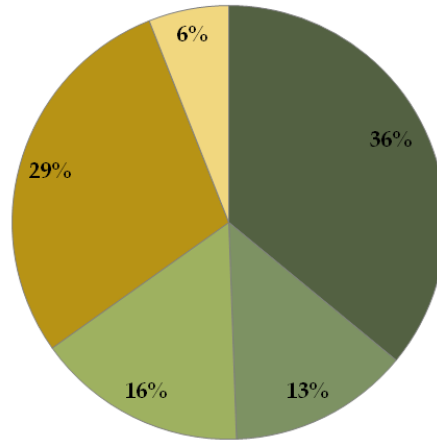
2. New and affordable senior housing.

The demand forecast for all senior housing is described in Figure 9. Characteristics of this demand include:

- Sixty-five percent (65%) of demand is for owner-occupied units and 35 percent (35%) for rental units.
- Twenty-nine percent (29%) of demand is for rental units below \$800 monthly rent.
- Thirty-six percent (36%) of demand is for owner-occupied units below \$140k.

Figure 9: Average annual senior housing demand forecast, 2010-2020

- Owned Units - Below \$140,000
- Owned Units - \$140,000 to \$220,000
- Owned Units - Above \$220,000
- Rental Units - Below \$800 / month
- Rental Units - Above \$800 / month

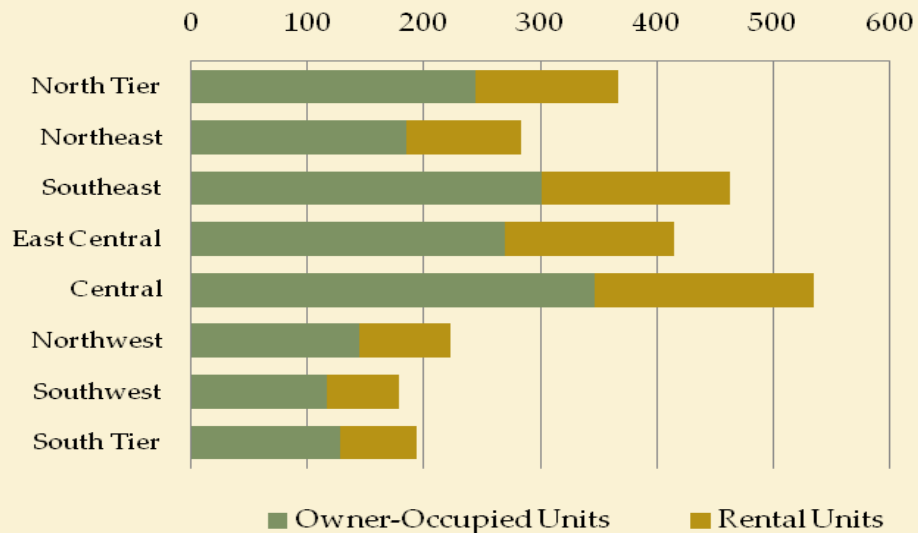


Total Avg. Annual Demand = 2,700 units Statewide
Source: Gruen Gruen + Associates

The detailed analysis in the Technical report indicates that although growing, seniors are unlikely to comprise the largest source of demand for new housing over the next ten years. Additionally, the demand analysis indicates that affordable independent living alternatives are needed.

Figure 10 indicates that, while not as dominant, the greatest demand for senior housing is projected for the Central, Southeast, and East Central regions, with the North Tier region a close fourth.

Figure 10: Average Annual Senior Housing Demand Forecast 2010-2020



3. Accommodating preferences of elderly to age in place.

A high proportion of elderly households in Iowa, particularly those containing members between the ages of 62 and 74, own the housing they occupy. More than 86 percent (86%) of elderly households aged 62 to 74 are estimated to be homeowners. Surveys, as well as several previous IFA housing studies, document that many senior households prefer to remain in their current housing and community as they age. This preference translates into a relatively low rate of housing turnover among senior households. The most recent data available for the State of Iowa indicates that approximately six percent (6%) of seniors are likely to change housing in a given year.

Younger elderly households (age 62-74) in Iowa are less likely to have a housing problem related to inadequate facilities or cost-burdens than are non-elderly households. As elderly households age into the 75+ cohort, they become more likely to face housing challenges. These older households are also far more likely to face challenges associated with health and disability as they age into their 70's (see Figure 11). Existing units may not meet their needs as they age. Physical issues typically creating impediments include accessibility into the house; bedrooms, bathrooms, and clothes washing appliances on multiple floors; and wheelchair accessibility around the living space. Comprehensive strategies to assist the elderly to remain in their homes must address all these housing problems.

Figure 11: Housing Problems of Elderly Households in Iowa¹

	Elderly Households 62-74 Years		Elderly Households 75+ Years		Non-Elderly Households	
	#	%	#	%	#	%
Owner-Occupied:						
With a Housing Problem	30,420	18.9	26,315	21.2	119,840	20.0
No Housing Problem	130,260	81.1	97,750	78.8	479,460	80.0
Total	160,680	100.0	124,065	100.0	599,300	100.0
Renter-Occupied:						
With a Housing Problem	9,050	35.8	17,655	49.2	102,920	40.2
No Housing Problem	16,230	64.2	18,195	50.8	153,180	59.8
Total	25,280	100.0	35,850	100.0	256,100	100.0
Total:						
With a Housing Problem	39,470	21.2	43,970	27.5	222,760	26.0
No Housing Problem	146,490	78.8	115,945	72.5	632,640	74.0
Total	185,960	100.0	159,915	100.0	855,400	100.0

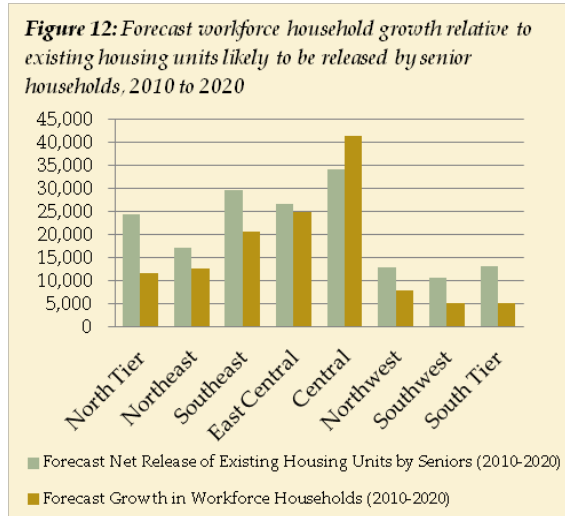
¹ HUD-defined housing problems include units lacking complete kitchen or plumbing facilities, units with more than one occupant per room (i.e. overcrowded), or units occupied by cost-burdened households (paying more than 30% of their income towards housing).

Sources: Comprehensive Housing Affordability Strategy (CHAS) data based on special tabulations of three-year (2006-2008) American Community Survey (ACS) estimates;

www.huduser.org/portal/datasets/cp/CHAS/data_download_chas.html

4. Housing stock reinvestment, maintenance and absorption.

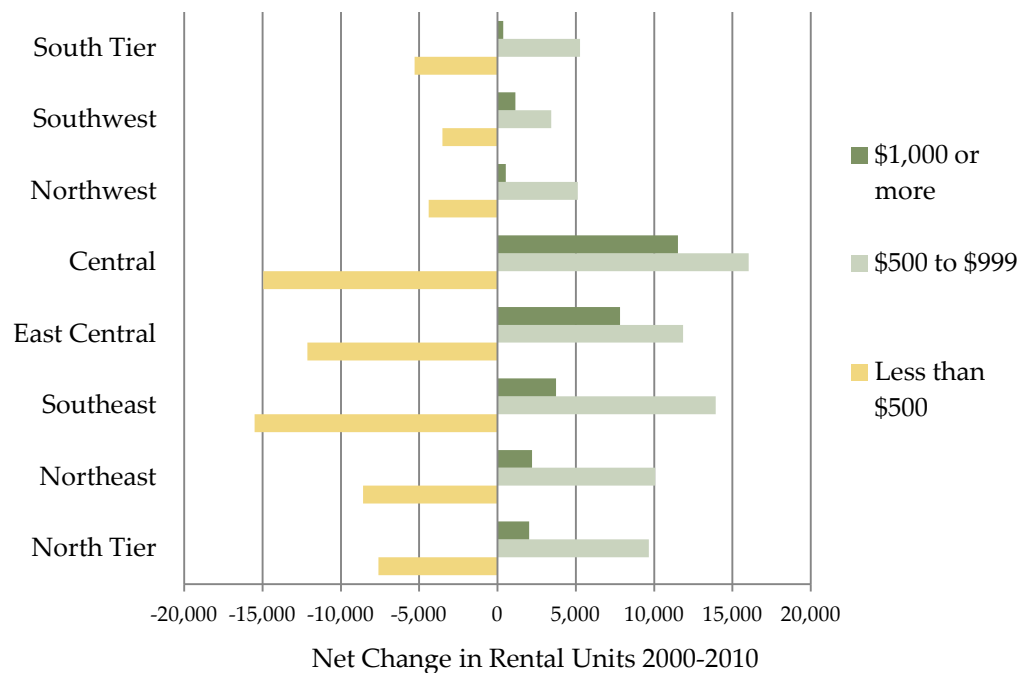
The age of Iowa's housing stock, with over 50 percent (50%) of the housing in most regions being over 50 years old, has long fueled concerns about maintenance. This age issue, combined with population decline in many regions and the oversupply of modest homes relative to the demand, exacerbate that problem. In some regions, the number of existing housing units released by senior households in the next decade will likely exceed growth in younger workforce households. This could exacerbate over-supply conditions and patterns of disinvestment. This situation is illustrated by region in Figure 12.



5. Preservation of existing multi-family rental units available at low or moderate rents.

The number of relatively lower-priced rental housing units declined over the 2000-2010 decade across all regions of the state. The Southeast, East Central, and Central regions experienced the largest losses of rental units priced below \$500 in monthly rent, as shown in Figure 13. The Central and Southeast regions each lost approximately 15,000 units priced below \$500 in monthly rent, representing more than a 50 percent decline over the decade.

Figure 13: Net Change in Rental Units by Price



Source: U.S. Census Bureau; Gruen Gruen + Associates.

The Central and East Central regions both experienced considerable increases in the number of higher-priced rental units at \$1,000 or more in monthly rent. This trend contributes to the decrease of affordable housing in these high growth areas. By contrast, the South Tier, Southwest, and Northwest regions of Iowa experienced much smaller increases in the number of rental units at \$1,000 or more in monthly rent.

PUBLIC INPUT

All but three of the 40 public meetings held to solicit input for the Study were conducted by the same individual, Martin Shukert, Principal at RDG. The following is Mr. Shukert's summary of the critical housing needs for Iowans in the next five years, as most often mentioned at the regional public input sessions. This summary also incorporates the input from the internet-based survey. A PowerPoint presentation summarizing input from both the regional public input sessions and the internet-based survey was presented at the 2012 Iowa Housing Conference.

The most likely critical housing needs for Iowans in the next five years, derived from the Study's public input components, include:

1. **New rental development** across income ranges, but including market-rate rentals as well as housing tax credit-assisted development.
2. **Preservation of existing housing inventory**, including:
 - Owner-occupied and rental rehabilitation.
 - Recycling/retrofit of existing units for new buyers.
 - Unified purchase + rehabilitation financing (203k model).
 - Demolition of deteriorated houses/reuse of lots.
 - Energy conservation improvements, stabilization of existing units.
 - Improved code enforcement.
3. **Affordable independent living alternatives for older adults.**
4. **Moderately-priced, new construction alternatives for ownership workforce housing.**
5. **Infrastructure financing for new development.**
6. **Risk amelioration** for specific actions: speculative building of affordable homes, production of improved lots, market-rate rentals.
7. **Greater flexibility** in local program design, income targets; additional funds for state and locally-based programs.

What share of market does the IFA own statewide, in each major statistical area, and by program area?

This question was evaluated using the “IFA Investments by County” database from the IFA website. Because of the limitations of this data base, this question was converted to: “How have IFA programs/funds been allocated, statewide and by Study Region?” This analysis identified how program funds were distributed over a five-year period, with programs categorized by: Rental Construction Programs, Rental Subsidy Programs, Homeowner Assistance Programs, and Homeless Programs. Note that the one-time, special flood related housing programs were not included in this analysis. Also excluded were the IFA Title Guarantee programs.

The breakdown of IFA programs by category was as follows:

Rental Construction Programs

- Housing Tax Credits
- Multifamily Loan Program
- Senior Living Revolving Loan Fund
- State Housing Trust Fund (SHTF) Local Housing Trust Fund (25%)
- SHTF Project-Based (25%)
- HOME Program (82%)

Rental Subsidy Programs

- Rent Subsidy Aftercare
- Rent Subsidy – Home and Community Based Services (HCBS)
- Section 8 Project Based
- HOME Program (12%)

Homeowner Assistance Programs

- SHTF Local Housing Trust Fund (70%)
 - SHTF Project-Based (70%)
 - FirstHome Loan Program
 - FirstHome Plus Down Payment Assistance (DPA)
 - Homes for lowans / Homes for lowans Plus
 - Iowa Mortgage Help
 - Military Homeownership DPA
 - HOME Program (12%)
 - NewHome Construction Loan Program*
 - RuralHome DPA*
 - REO Home*
 - OurHome Rehab Loan Program*
- *No Longer Active*

Homeless Programs

- SHTF Local Housing Trust Fund (5%)
- SHTF Project-Based (5%)
- Emergency Shelter Grant Program (ESG)
- Homeless Prevention and Rapid Re-Housing
- Shelter Assistance Fund (formerly HSOG)
- Shelter Care Plus
- Housing Opportunities for Persons with AIDS (HOPWA)

Figure 14 shows that the majority of funds disbursed over the past five years were for owner-occupied programs, with rental construction and rental subsidy programs each totaling about one-third the homeowner assistance program amount. Homeless programs constitute a very small component of the overall program.

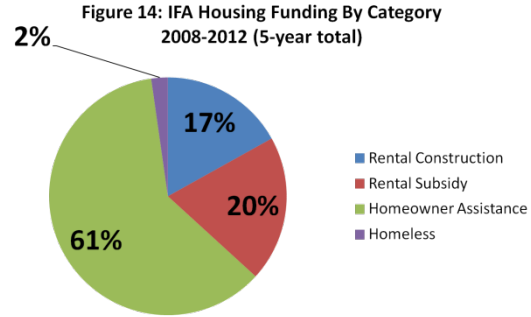


Figure 14 reflects a five-year total. However, a review of the individual years within that period reveals considerable variation from year to year. Figure 15 indicates Program Year 2012, the most recent data. This chart shows that the emphasis on homeownership programs, while not as high as the five-year total, still is over 50 percent (50%) of the total allocated funds. Rental subsidy program resources have increased to over 50 percent (50%) of the homeownership program total funds and twice that of rental construction programs.

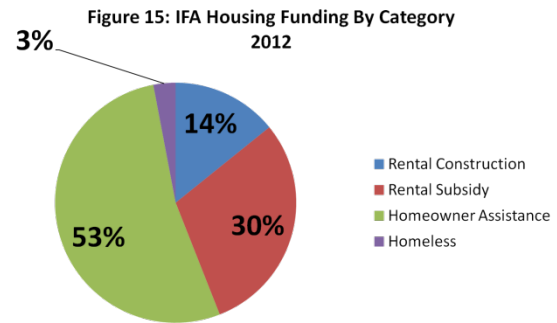
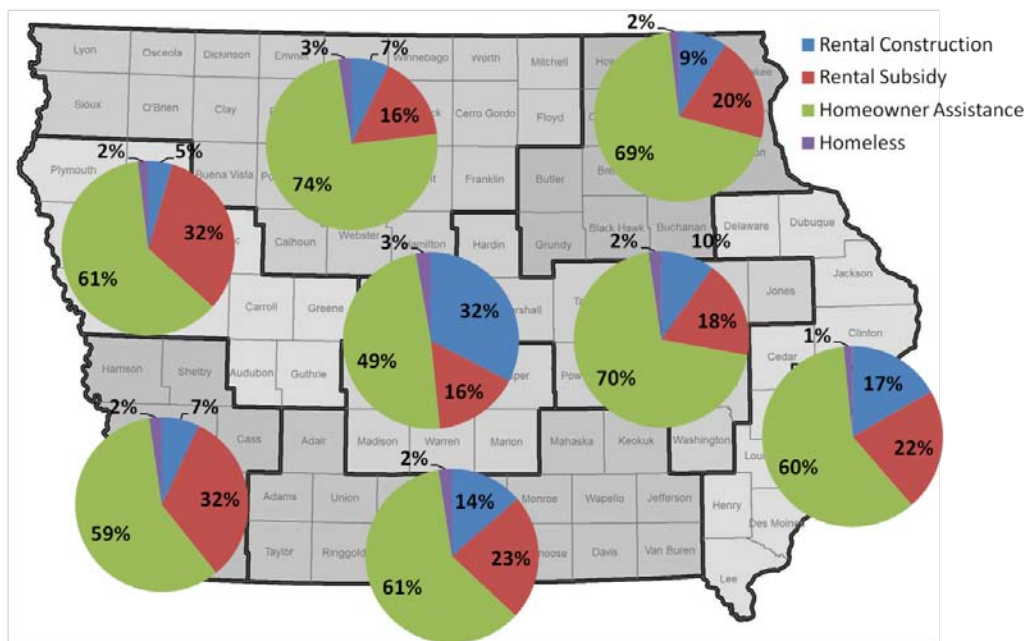


Figure 16 shows how IFA five-year program disbursements vary by program type across the Housing Study Regions. Funding of homeownership programs vary from a high of 74 percent (74%) of all funding in the North Tier Region to a low of 49 percent (49%) in the Central Region. Rental construction program funding varies from a high of 32 percent (32%) in the Central Region to a low of 5-10 percent (5-10%) in five of the other regions. Rental subsidy programs had less variability, with five of the eight regions having between 20-30 percent (20-30%) of their total funds expended on these programs.

The uniquely high percentage of rental construction program usage in the Central Region stems from this region's high job growth and resulting demand from young entering professionals for rental housing. The vibrant economy in this Region also likely accounts for low participation in IFA's homeownership programs. The opposite is true in several regions where job growth is stagnant. These areas, with a supply of existing housing that exceeds demand, have little pressure for more rental housing.

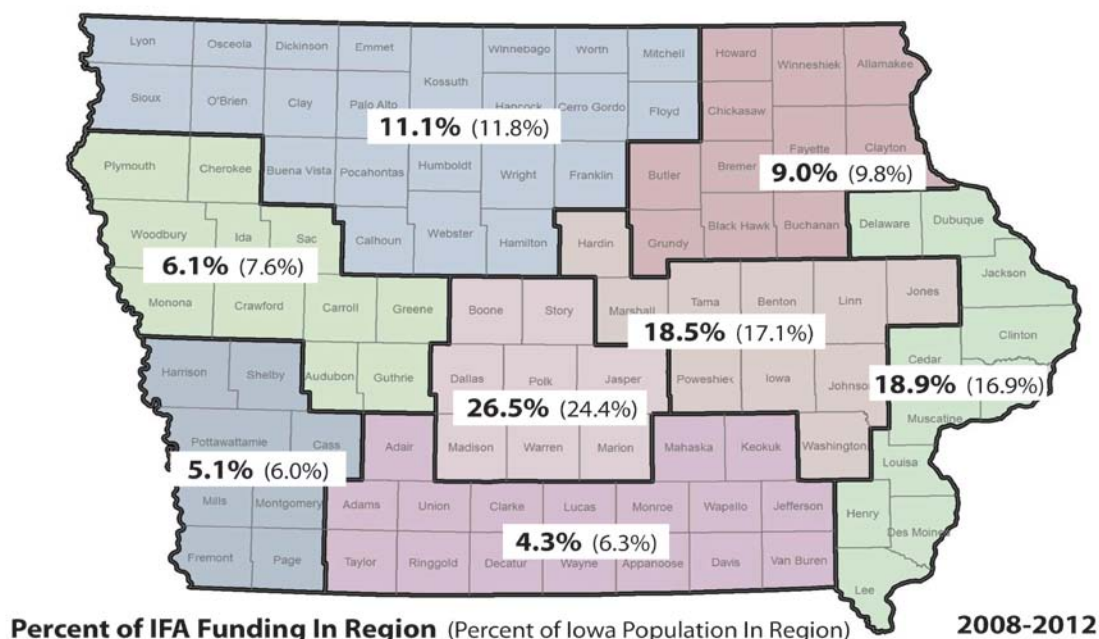
Figure 16: IFA 5-year program funding by region (2008-2012)



In addition to looking at how a Region's funds were disbursed by program category, it is also useful to investigate how much funding a region received relative to that region's population. This is one way to look at funding equity across the state. Figure 17 identifies in bold print the percent of total five-year IFA program funding a region received and, in regular print, the percentage of the total state population residing in that region.

Based on Figure 17, the distribution of IFA program funding around the state is very closely correlated to the population, with the percent of IFA funding being within about two percentage points of the region's share of total Iowa population.

Figure 17: IFA 5-year total funding by region (2008-2012)



How effective are the programs of the IFA in addressing current housing problems?

This question speaks to the effectiveness of IFA programs in addressing identified housing problems. From both the quantitative and qualitative components of the Housing Study, the following observations regarding program effectiveness can be made. **However, it should be noted that many of IFA's programs are actually Federal programs implemented by IFA and the program regulations/requirements are not established by IFA.**

1. The Housing Study identified a greater financial need in the production of rental housing than is expressed by the current allocation.
2. Local housing problems vary from region to region. The best way to insure increased program effectiveness in dealing with local housing problems is not to design programs in Des Moines. Rather, effectiveness is increased to the extent that housing programs are designed at the local level in response to local conditions. Programs like the State Housing Trust Fund speak directly to community priorities and should be the model for program effectiveness.
3. The critical program component to deal effectively with local housing problems is flexibility. Local flexibility through Local Housing Trust Fund's, downpayment

assistance programs, and residential rehabilitation program guidelines have effectively addressed local needs.

4. Given the preponderance of rental housing needs in Iowa, the availability of programs aimed at rental housing production and rent subsidies is inadequate. The Housing Tax Credit program is largely the “only show in town” for quality rental development in markets outside of metropolitan areas. Additional state-funded programs aimed at rental housing need to be developed.
5. The effectiveness of IFA’s programs benefits from ongoing direct relationships with local nonprofit service providers. These nonprofit contacts should not be considered only as IFA clients who apply for available state funding. Rather, trust relationships should be developed so that these local providers become IFA’s “eyes and ears on the ground” to insure that programs are both designed appropriately to deal with the local problems and that programs are being properly administered.

Where are the gaps between private market activity and the programs of the IFA?

The following are housing need “gaps” not currently being addressed by the IFA, as identified in both the quantitative analysis and the public input:

1. **Rental development (specifically market-rate rentals).** Current rental programs have renter income eligibility limits, typically below 80 percent (80%) of area median income. As demonstrated in the Housing Study, prevailing local rents and the cost of construction create project feasibility rent levels that are beyond the local capacity to support. This “gap” between achievable rents and required rents results in rental projects not being built in the marketplace. Local feedback indicates that this problem impacts the production of workforce rental housing for households in the 80–120 percent (80-120%) of median income range. This problem hinders localities’ economic development efforts and housing for this group will not take place without some form of assistance to close the project feasibility gap.
2. **Housing tax credit allocations in small cities.** Small cities are at a disadvantage in the competition for housing tax credits. Allocation policies should be monitored to insure distribution of the housing tax credits in an equitable fashion.
3. **Rehabilitation constraints.** Lack of flexibility in housing rehabilitation program requirements causes potential projects to be determined ineligible. Or, applicants decide not to participate in available programs because requirements are not aligned with their rehab needs and desires.
4. **Rehabilitation financing for new homeowners.** As documented in the Housing Study, there is an abundance of existing homes for new households in many regions of the state. However, the age of that housing stock indicates that many of these homes require rehabilitation. Mortgage financing for the purchase of a home in need of some rehabilitation can be difficult if not impossible to obtain. New homeowners would benefit in these situations from home purchase financing that includes rehab financing to bring the unit up to a minimum acceptable condition.
5. **Flexible programs.** Just as flexibility in program requirements is a key to increasing program effectiveness, the lack of flexibility creates gaps where housing needs that could be resolved go unaddressed.
6. **Affordable housing for moderate/middle-income seniors.** The impact of the retirement of the Baby Boomer generation in the next ten years is documented elsewhere in detail. Current programs for senior housing are income-restricted to low- and very low-income households. As with the market gap in workforce rental housing production identified above, seniors in the moderate/middle-income category face a similar gap.
7. **Communication.** The need for increased knowledge about available housing assistance programs was mentioned in the public input sessions as an issue.

How can the IFA best prioritize its programming to address housing needs in Iowa, most effectively targeting its resources?; and

What is the best way for the IFA to fulfill its role as the chief housing agency of Iowa going forward?

Policy and/or programmatic options that address the preceding study conclusions should be developed for IFA consideration. It is important that any recommendations presented be actionable by the IFA. While a number of potential options for state actions and/or programs have been discussed through the course of this project, IFA intends to continue to work with the consultant team to refine these to a list of actionable recommendations to be presented to the IFA Board.