Establishing a Community Housing Linked Certificate of Deposit Program Recommendations for Iowa City Based on a Survey of Major Employers, Builders, and Developers

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Prepared for:
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Field Problems in Planning 102:209
Graduate Program in Urban and Regional Planning
The University of Iowa
May 13, 1998
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Special thanks also go to those employers and developers who took the time to sit down and speak with us regarding affordable housing issues in Iowa City and the possibility of developing a Community Housing Linked Deposit Program in the City. The candid responses of participants were valuable in assessing the probable effectiveness of a construction financing CHLDP for Iowa City, and are also integral to determining the most effective alternative use of program funds.

Participants include:

American College Testing  Southgate Development  
General Mills  Dennis Spencer Construction  
National Computer Systems  Lammers Construction  
The University of Iowa  Wagehoft Home and Land Company  
Proctor and Gamble  Crosby Construction  
Rockwell International  Moreland Construction  

And finally, we would like to thank those organizations who took the time to speak with us about, or mail us information about, existing programs that function similar to or for similar purposes as the proposed CHLDP. This information allowed the student group to understand how a linked deposit program might be effectively employed in Iowa City.

A list of those who provided information follows:

South Shore Bank, Chicago, Illinois  
The State of Iowa, Office of the Treasurer, Des Moines, Iowa  
The Ohio Community Development Finance Fund, Columbus, Ohio  
Vermont National Bank, Burlington, Vermont  
The Illinois Affordable Housing Trust Fund  
The Institute for Community Economics, Springfield, Massachusetts
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EXECUTIVE SUMMARY

The purpose of this study was to determine the interest of developers/builders and major employers in Iowa City in the provision of affordable housing. The Iowa City Community Housing Forum generated several options for increasing the supply of affordable housing in the city. The graduate student group was involved in the development of one such option: the Community Housing Linked Deposit Program (CHLDP). Interviews were conducted with local developers and major employers, and existing programs were researched to understand how a CHLDP could be developed in Iowa City.

The existing programs researched included those designed to encourage affordable housing projects as well as those to encourage economic development. In general, the programs researched operated in a similar manner. Basically, the programs offered investment opportunities with below market rates of return, allowing the difference between the market and below market rates of return to be designated for socially responsible projects.

To carry out this study, surveys were designed to understand housing needs shared by employees of major employers in Iowa City. Survey questions were directed at determining the types of jobs and salary ranges of employees as well as the types of investments made by major employers. This information was used to determine the portion of the workforce that is represented by the populations at the 60% of median family income level set forth by the Housing Forum. Employers were also asked their opinions about the performance of the City of Iowa City in providing affordable housing. And finally, surveys gauged major employers interest in types of housing programs, other than the CHLDP, that would benefit their employees.

The student group compiled profiles of developers/builders based on survey responses that measured the current level of involvement in affordable housing projects. Developer/builder surveys measured interest in the proposed CHLDP and thoughts on the most efficient use of funds. In particular, surveys were targeted to determine the degree to which construction financing is a barrier to developing affordable housing and to gauge interest in a program that would make funds available to provide low-interest construction loans for affordable housing projects. Questions were designed to elicit
candid responses related to Iowa City's housing in general. Developers/builders were also encouraged to discuss alternatives, other than the CHLDP, that would reduce Iowa City's affordable housing gap.

**Housing Needs Assessment**

Based on recent information from Iowa City's Community Development Department, 60% of low-income households in the city (households below 80% of median income) are cost burdened. This percentage is even higher for renters, with 66.3% of unassisted low-income renters are cost burdened. In addition, the information provided indicates that while there is a surplus of affordable rental units for low-income households between 51% and 80% of median income, the population of households at or below 30% of median family income is most in need of units. Taken together, the implication is that the housing market, left on its own, will continue to exclude many households at 80% of median income or below from homeownership opportunities. Therefore, as these households continue to occupy the surplus rental units, those households at the lower end of the income spectrum will have trouble competing in the rental market.

Based on the above, two options are available for the City to support affordable housing for low-income households. One involves directly increasing investment to provide affordable housing units for very-low-income households. Since the income for this group of households does not allow them to enter the homebuyer market, this would simply increase the number of rental units in the city, leaving the difficulties involved with entering the homeownership market intact. The other option involves the establishment of a mechanism to enable households closer to the median income level to enter the homeownership market. This could reduce pressure on the rental market for lower income households.

**Existing Programs**

The student group found that investors in programs similar to the CHLDP consist of diverse groups, including foundations, religious organizations, corporations and individuals. Financial assistance is typically provided in the form of below market rate loans with terms ranging from several months to twenty years. Emphasis is placed on the provision of safe and affordable housing for low- and moderate-income households in neighborhoods where there is an affordable housing shortage. Programs also point
out the importance of maintaining a Board of Directors that is representative and accountable to the neighborhood or community it serves.

**Major Employers**

Employers' responses indicated that there was an affordability problem in Iowa City. Beliefs varied as to why there is a shortage of the types of housing desired at affordable prices by their labor force. Many of the employers had adopted an attitude that many of their employees were resigned to living outside of Iowa City.

Interest from major employers in participating in the CHLDP was low. Firms did not maintain local accounts and few invested in CDs. While firms generally valued having local housing options for their employees, they believed that providing affordable housing through down payment assistance or new rental units designed specifically for families would better meet the needs of their employees.

**Developers/Builders**

Developer/Builders generally felt that the survey provided them with new information. Many of the developers surveyed have considered developing more affordable housing in Iowa City. The consensus among all developer/builders is that a CHLDP for low interest construction loans would not be the best option for promoting affordable housing in Iowa City. Many developer/builders argued that a program tying incentives (such as relaxation of certain zoning and building code regulations) to affordable housing would likely accomplish more.

**Recommendations**

The feasibility study of the CHLDP for the City of Iowa City reveals that the proposed program is not well designed for creating new affordable housing opportunities in Iowa City. Major employers of Iowa City are poor targets for CHLDP investors because they are detached from the interests of the local community. Construction loan financing is not a major obstacle to affordable housing development. Therefore the consensus among all developers and builders in the survey is that the CHLDP is not sufficient enticement for building affordable housing in Iowa City.
Many comments were made during the surveying process that indicated that there are larger obstacles to the development of affordable housing in Iowa City than construction financing. In particular, major employers voiced interest in seeing programs designed to provide down payment assistance to their employees. Developers continue to seek relaxation of Housing and Zoning Regulations that might allow more affordable housing developments. In fact, many of these remarks are similar to recommendations made in the Community Housing Forum Report (December, 1997) currently being investigated by the Planning and Community Development Department for the City of Iowa City.
INTRODUCTION

The Iowa City Community Housing Forum met over a nine-month period, beginning October 23, 1996. The Forum consisted of three subcommittees: Funding Mechanisms, Development and Regulations, and Goal Setting and Target Groups. The Housing Forum represented one of the most diverse groups of residents ever to come together and discuss affordable housing issues in the history of Iowa City. The Forum produced a final report (issued in December of '97), recommending several alternatives for increasing the number of affordable housing units available to low and moderate income households in the City of Iowa City. The intention of city staff and the Housing Forum participants was to produce a final report to be used by the city council as a framework for developing a comprehensive policy and implementation strategy for affordable housing in Iowa City. The report makes several recommendations. For these recommendations to be successful there must be full support from the city council, the Home Builders Association, local financial institutions, developers, non profits, charitable organizations, and neighborhood residents of Iowa City. Collaboration between each of these groups is required to promote economically diverse housing opportunities in Iowa City.

At a February 12th, 1998 work session, a decision was made by the city council to move forward with several of the Funding Mechanisms recommended in the Community Housing Forum Report, which included the Community Housing Linked Deposit Program (CHLDP). This decision warranted further investigation regarding the feasibility of a CHLDP, which was referred to the graduate student group from the University of Iowa's Urban and Regional Planning Program by Maurice Head, Community Development Coordinator. In addition to determining the feasibility of a CHLDP, the student group sought to develop an implementation process for such a program in Iowa City.

The Housing Forum Report generally described a CHLDP as being “a local linked deposit program, which seeks to correct a shortage in available capital which has constrained the opportunities of targeted groups.” In a program designed for the local community, funds would be deposited in a lending institution, which would provide lower cost financing to non-profit housing developers to build affordable housing.
Major employers within the community would provide the funding for deposits. The investors would purchase CDs for a period of one or more years while earning a normal rate of return. The bank would then loan the money to developers at below market interest rates for affordable housing projects.

Discussions with Maurice Head and the Community Development staff led to defining a CHLDP for Iowa City. A goal of 2 million dollars was set, with the City providing $250,000 into a CD with a market rate of return. The student group would approach major employers and developers to ascertain their feelings concerning the feasibility of using a housing linked CD program to create new affordable housing opportunities in Iowa City. Deposited funds would be used to make low interest construction loans to developers/builders to construct affordable housing. Ten major employers were chosen because it was believed they could make larger deposits. The results of the surveys would provide the Community Development staff with the names of institutions and developers interested in participating in a linked CD program. In addition, the student group would identify a decision making board that would administer the linked deposit fund. City staff would contact Banks after the feasibility of the program had been ascertained.

Information was gathered on existing linked deposit and affordable housing programs to gain a better understanding of how they work. Existing programs were identified through personal contacts (Community Housing Forum participants, academic advisers), Internet searches, and from contacts established during the fact gathering process. Programs were selected based on their connection with socially linked deposits or criteria for identifying affordable housing goals. Summaries of existing programs reviewed are included in this document.

A survey of major employers and potential developers in Iowa City was selected as the method to assess the feasibility of a CHLDP in Iowa City. The student group identified ten major employers with the help of City staff, chosen for their size and impact on Iowa City housing market. The student group identified 10 potential developers of affordable housing in Iowa City, with the help of the local Home Builders Association.
Personal interviews with 6 major employers and 4 potential developers of affordable housing were arranged and attended by 2 interviewers. Only one interviewer was able to attend the meeting with Moreland Construction. In two other instances, personal interviews with developers were limited to telephone interviews. Interviewees were sent letters and information regarding the Housing Forum and the topic of this survey. Meetings were scheduled in advance and interviewees were given advance notice of the questions being asked. A copy of contact material and interviewer questions is included in the appendix of this document. (See Appendix B)

The following pages will provide information on:

- existing linked deposit programs, along with their funding mechanisms and criteria for eligibility;
- survey results, including input from local businesses and developers on the feasibility of a CHLDP and affordable housing in Iowa City;
- summations and recommendations regarding the feasibility of a CHLDP in Iowa City.
HOUSING NEEDS ASSESSMENT

Table 1, based on 1990 census data, was presented during the Housing Forum Target Groups subcommittee meetings as a Housing Needs Assessment of Iowa City. This Table was also used in interviews with major employers and developers to demonstrate the housing needs of Iowa City citizens.

A cost burdened household is a household that spends more than 30% of its income on housing expenses. Table 1 reveals that 60% of low-income households (households below 80% of median income) are cost burdened. This percentage is even higher for renters, with 66.3% of low-income renters spending more than 30% of income on housing expenses. In addition, the information provided in Table 2 indicates that while there is a surplus of affordable rental units for households between 51% and 80% of median income, the population of households at or below 30% of median family income is most in need of units. Taken together, the implication is that the housing market, left on its own, will continue to exclude households below 80% of median income from homeownership opportunities. Therefore, as these households continue to occupy the surplus rental units, those households at the lower end of the income spectrum will not be able to compete in the rental market.

(See Appendix A for Median Incomes in the Iowa City MSA)

Table 1: Target Groups Housing Needs Assessment by % of Median Income in Iowa City

<table>
<thead>
<tr>
<th></th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
<th>Groups 1-3</th>
<th>Iowa City</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-30%</td>
<td>31-50%</td>
<td>51-80%</td>
<td>0-80%</td>
<td>TOTAL</td>
</tr>
<tr>
<td>Total Households</td>
<td>4226</td>
<td>3279</td>
<td>3910</td>
<td>11415</td>
<td>21964</td>
</tr>
<tr>
<td>Renters</td>
<td>3742</td>
<td>2725</td>
<td>2611</td>
<td>9078</td>
<td>12048</td>
</tr>
<tr>
<td>Cost Burdened</td>
<td>3143</td>
<td>1989</td>
<td>888</td>
<td>6020</td>
<td>9916</td>
</tr>
<tr>
<td>Owners</td>
<td>484</td>
<td>554</td>
<td>1299</td>
<td>2337</td>
<td>838</td>
</tr>
<tr>
<td>Cost Burdened</td>
<td>319</td>
<td>194</td>
<td>325</td>
<td>838</td>
<td></td>
</tr>
<tr>
<td>Total Cost Burden</td>
<td>3462</td>
<td>2183</td>
<td>1213</td>
<td>6858</td>
<td></td>
</tr>
<tr>
<td>Section 8</td>
<td>768</td>
<td>108</td>
<td>0</td>
<td>876</td>
<td></td>
</tr>
<tr>
<td>Remaining Need</td>
<td>2694</td>
<td>2075</td>
<td>1213</td>
<td>5982</td>
<td></td>
</tr>
</tbody>
</table>

Source: 1990 Census.
A recent investigation demonstrated that a general shortage of affordable housing for households below 50% of median income exists in Iowa City. Although it appears that there is a surplus of affordable housing for households between 51% and 80% of median income, most of the units available are concentrated in rental sectors. Homeownership remains a remote possibility for moderate-income households.

Table 2: Estimated Housing Needs for Lower Income Households

<table>
<thead>
<tr>
<th></th>
<th>Est. # of Existing Affordable Units</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Surplus/Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of HH's</td>
<td>Rental</td>
<td>For-Sale</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0-30% median)</td>
<td>4789</td>
<td>1351</td>
<td>0</td>
<td>1351</td>
<td></td>
<td>-3438</td>
</tr>
<tr>
<td>Excluding student units</td>
<td>1580</td>
<td>1185</td>
<td>0</td>
<td>1185</td>
<td></td>
<td>-395</td>
</tr>
<tr>
<td>(31-50% median)</td>
<td>4166</td>
<td>6750</td>
<td>400</td>
<td>4150</td>
<td></td>
<td>-16</td>
</tr>
<tr>
<td>Excluding student units</td>
<td>2916</td>
<td>2500</td>
<td>400</td>
<td>2900</td>
<td></td>
<td>-16</td>
</tr>
<tr>
<td>(51-80% median)</td>
<td>5494</td>
<td>7575</td>
<td>1600</td>
<td>9175</td>
<td></td>
<td>3681</td>
</tr>
<tr>
<td>Excluding student units</td>
<td>5219</td>
<td>4075</td>
<td>1600</td>
<td>5675</td>
<td></td>
<td>456</td>
</tr>
</tbody>
</table>

Source: City of Iowa City Department of Planning and Community Development, 1998.

On the other hand, based on figures in Table 3, housing demand is expected to increase substantially between 1998 and 2000. Such growth may widen the gap between the supply and demand of affordable housing even further. Therefore, the timely implementation of a program to increase access to homeownership may be in order.

Table 3: Summary of the Projected Increase in Housing Demand

<table>
<thead>
<tr>
<th></th>
<th>Year 1998–2000</th>
<th>Year 2000–2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>430</td>
<td>2617</td>
</tr>
<tr>
<td>Rental Units</td>
<td>685</td>
<td>2140</td>
</tr>
</tbody>
</table>

Source: City of Iowa City Department of Planning and Community Development, 1998.

Based on the above, there are two obvious options to be considered by the City to support affordable housing for low-income households. One involves directly increasing investment to provide affordable housing units for below 50% of median income.
households. Since the income for this group of households does not allow them to enter the homebuyer market, this would simply increase the number of rental units in the city, leaving the difficulties involved with entering the homeownership market intact. The other option involves the establishment of a mechanism to enable households closer to the median income level to enter the homeownership market. As argued above, moving these households to homeownership will allow those households at the bottom of the income ladder to enter the rental market vacated by the moderate-income households.
PART I: EXISTING PROGRAMS

Information on programs similar to the CHLDP was collected to facilitate a better understanding of how such programs function and to assist in making recommendations to the City of Iowa City. Many state governments, lending institutions, and cities operate programs designed to encourage investments in local communities to provide affordable housing. These programs are based on the premise that there are institutions, individuals, and organizations that are willing to earn a lower than market rate of return so that socially responsible projects may become a reality. The funds typically serve to link socially responsible investors with organizations that are working to improve the quality of life in local communities. The programs researched can be divided into three categories: (1) those that focus on the provision of affordable housing, (2) those that focus on linked deposits for purposes other than housing, and (3) those that access linked deposit funds to be used for the creation of affordable housing.

Affordable Housing Provision

The Vermont National Bank, the Illinois Affordable Housing Trust Fund, and the Institute for Community Economics each demonstrate innovative ways to increase the supply of affordable housing. While a Linked Deposit Program is not the source of funding used, they provide good examples of ways in which access to Linked Deposit funds could be targeted toward the long term availability of affordable housing in the City of Iowa City.

Vermont National Bank
Socially Responsible Banking Fund (SRB)

The Vermont National Bank is exclusively involved in socially responsible activities and investments. The SRB fund reviews each loan application individually. The purpose of the affordable lending portfolio is to provide creative financing for owner-occupied single-family housing and multi-family housing. Their highest priorities are:

- Long term affordable 1- to 4-unit housing for low-income families. This would include single-family homes on land from a community land trust or housing with deed restrictions for long-term affordability.
• Long-term affordable multi-family housing projects. Examples include limited equity cooperatives or condominiums on community land trust property.
• Affordable rental projects owned by non-profits.
• Projects with deed restrictions or first options to local non-profits.

**Illinois Affordable Housing Trust Fund**

The Illinois Affordable Housing Trust Fund is one affordable housing program that the Illinois Housing Development Authority (IHDA) helped to create. The trust fund assists in the provision of affordable, decent, safe, and sanitary housing for low and very low-income households.

The Trust Fund receives half of the state real estate transfer tax fee; this amounts to approximately $13 million to $18 million each year. Eligible applicants can be not-for-profit or for-profit corporations or certain units of local governments. These funds are directed at:

• acquisition and rehabilitation of existing housing,
• new construction (single family and multifamily),
• adaptive reuse of non-residential buildings,
• and special housing needs (elderly, disabled, etc.).

The Trust Fund makes loans available for less than the prevailing commercial rate. Grants are available to not-for-profit applicants when the project demonstrates a very low-income orientation, which would not be feasible without Trust Fund assistance.

Several requirements have to be met before a program can be accepted:

• Owners of rental projects must agree to retain their units for use by the target population for no less than the term defined in the regulatory agreement.
• The sponsor must have the capacity to successfully carry out the project.
• The project must comply with fair housing laws.
• Rent structures must allow potential tenants to pay no more than 30% of their income for housing expenses.
• Projects must be ready to close within six months of approval.
• Sponsors must submit reports to the Trust Fund indicating that the project is in compliance with the terms and conditions of their funding agreement.

Projects are selected that:
• leverage other public resources or below-market rate loans from local financial institutions and other organizations to the maximum extent possible,
• benefit very low- and low-income households,
• address the housing needs of the working homeless and prevent homelessness,
• meet special population housing needs including single room occupancy, elderly, physically disabled and single-parent families,
• promote housing activity in neighborhoods and areas where there is currently very little housing available for low- and very low-income families,
• assist in the revitalization of a deteriorated neighborhood or help stimulate other public and private investment
• offer long-term affordability
• preserve low-income housing, especially in housing developments with federal subsidy contracts near expiration,
• and/or promote economic and racial integration.

The Illinois Affordable Housing Trust Fund has similar goals to the proposed CHLDP in Iowa City. Although these programs have different income sources, the Illinois Affordable Housing Trust Fund can be used as a reference for the proposed CHLDP in Iowa City for setting up the lending criteria.

The Institute for Community Economics
The Institute for Community Economics (ICE) is a national nonprofit organization that supports the development of Community Land Trusts (CLTs). ICE provides technical assistance to developing and established CLTs, sponsors training events, maintains a CLT affiliate program, and makes project loans to CLTs through its Revolving Loan Fund.
What is ICE’s Revolving Loan Fund?

The Revolving Loan Fund builds a bridge between socially concerned investors and innovative community development projects. It provides low-income households with access to capital on affordable terms. Money is loaned to the fund on a variety of terms.

- 87%: Land and Housing Groups
- 8%: Community Service Organizations
- 5% Cooperative Businesses

Who contributes to the Fund?

Individuals and institutions with extensive investment portfolios, older people who lend their savings, children whose college trust funds are lent, and people with only a little more money than they need to live, may each contribute to the fund.

Loans range in size from a suggested minimum of $1,000 to $2.5 million, with terms ranging from several months to twenty years. (The longer the term, the more useful the money will be in meeting the needs of community groups). Rates have ranged from no interest to levels comparable to the yield from money market accounts. Lenders are encouraged to consider their own needs in relation to the needs of those whom the Fund serves.

Most lenders opt to receive interest payments periodically, with principal repaid in a lump sum at the end of the loan period. Amortization of the principal may be requested for repayment.

With regard to security, all lenders have a claim on the assets of the Fund. The financial stability of the Fund rests on the sense of responsibility and shared commitment felt by the borrowers, on ICE's ability to provide technical assistance to the borrowers, and on the fact that loans made to the borrowers are secured with collateral or third party guarantees. The Fund also has an endowment of permanent capital, which provides an additional loss reserve and increases the Fund's ability to make low-interest loans for projects serving very low-income people. The fund is not insured.
Who qualifies for loans from the Fund?

Loans are made to community land trusts, limited equity housing cooperatives, and other non-profit and cooperative organizations engaged in meeting the needs of low-income people in ways that assure long-term benefits and community control.

Both social and traditional loan criteria are considered in making loan decisions. Traditional criteria include: the technical capability of the applicant, provisions for technical assistance, feasibility of the project, adequacy of financial planning, and the security available to the fund. Priority is given to organizations and projects that address both immediate and long-term needs and that affect a just distribution of equity. Specifically ICE considers:

- the degree of need and number of people served by the proposed project,
- provisions for keeping land and housing off the speculative market,
- and the stature and potential strength of the applicant in its community, and the likelihood that the loan will catalyze further projects.

Loans, which ranged from $1,000 to $500,000, typically have terms that are both practical for the borrower and that assure the affordability of the project for low-income people. The majority of loans are for one to three years. Rates vary according to the needs of the borrower. Repayment schedules are arranged to fit the borrower’s situation. Quarterly or monthly payments, covering at least the interest, are normally scheduled during the life of the loan. Balloon payments of the principal are often arranged. Most loans to community groups are secured with real estate mortgages or liens on equipment. Some are secured by third party guarantees.

Linked Deposit Programs

Iowa’s LIFT Program and the State of Oklahoma provide examples of the mechanics of successful linked deposit programs that are used for purposes other than the creation of affordable housing.
State Of Iowa
State Office of the Treasurer
Linked Investments for Tomorrow
The Linked Investments for Tomorrow (LIFT) program in the State of Iowa actually consists of three programs:

- **LIFT Rural Small Business Transfer:** In communities with populations equal to 5,000 or less, financial assistance is provided in the transfer of business ownership, in order to keep businesses that would otherwise have closed within the community. Examples include smaller community grocery stores, gas stations, and hardware and farm supply stores.

- **LIFT Horticultural and Alternative Crops:** Introduces diversity into Iowa’s agriculturally based economy. The loans are designed to encourage production, processing, and marketing of horticulture, alternative crops, and/or nontraditional or exotic animals.

- **LIFT Targeted Small Business:** Provides assistance to businesses that are at least 51 percent owned, operated, and actively managed by women, minorities, or disabled persons.

These programs use a linked CD format to provide funds for different types of projects. The program uses funds from the State Treasury to buy certificates of deposit at below market rates from financial institutions in the State of Iowa. The difference between the below market rates and the market rate of return for CDs is contributed to a fund which is then loaned to small businesses at low interest rates. The lending institution pays the state three percent below the monthly rate established by the Treasurer’s office. The lending institution may charge the borrower up to, but not more than, four percentage points higher than what it is paying the state on the CD. The term of each certificate of deposit cannot exceed one year, but may be renewed for eight additional one-year periods. The state does not insure or guarantee the loans offered by the lending institution. Although the LIFT programs do not provide funds for affordable housing, the CD operates in a manner similar to the CHLDP.
State of Oklahoma

Agricultural Linked Deposit Loan Program
The Oklahoma Agricultural Linked Deposit Loan Program is a project established by the Oklahoma State Treasurer's Office and the Oklahoma Department of Agriculture to assist farmers, ranchers, and alternative agricultural enterprises to obtain loans with lower than market interest rates.

The Oklahoma Agriculture-Linked Deposit Loan program helps at-risk farmers and ranchers utilize lower interest rate loans to provide cash flow for continued operation. The eligibility of an at-risk farmer or rancher is determined by a number of criteria, including debt-to-asset ratios, the preparation of a management plan, and others.

The Oklahoma Agriculture Linked Deposit Loan Program is similar to the proposed Community Linked Deposit Program in that they both use the investment in Certificate of Deposit as funding resource. In the case of Oklahoma Linked Deposit Program the government makes the investment in CDs. In Iowa City’s case, the funding would come from local businesses. The Oklahoma Agriculture Linked Deposit Loan Program requires a management plan from the farmers or ranchers who apply for the loan. Similar requirements may be used in the proposed Community Linked Deposit Program in Iowa City to assure the most effective use of funds.

Affordable Housing Linked Deposit Programs

South Shore Bank in Chicago and the Ohio Community Development Finance Fund each provide successful models of innovative ways in which Linked Deposits can be used to expand the supply of affordable housing.

South Shore Bank
The Bricks and Mortar CD
South Shore Bank in Chicago has a program called “The Bricks and Mortar CD." This Certificate of Deposit is offered to personal investors.

• 3-year term.
• $500 minimum opening deposit.
• 5.65% interest rate (5.73% APY).
• Add $100 or more at any time during the first two years.

The mission is to create funds for residents of locally distressed neighborhoods to repair, rehab, or buy homes and businesses. In return the investors receive a competitive interest rate for their investment.

South Shore Bank
Rehab CD and Investment Fund for Housing
The mission of the Rehab CD and Investment Fund for Housing (IFH) is to rebuild and restore neighborhoods to help create and maintain a sense of community in urban areas that have suffered from “underinvestment” by the city. The IFH began in 1986. It is a pool of interest-free loans for gap financing, made available to local residents and entrepreneurs who would like to purchase, renovate, and manage apartment complexes in target neighborhoods that have been deemed "at risk." The borrower of IFH funds does not make regular payments; the entire loan is due in 25 years or when the building is sold. Because the interest for building improvements is not paid on a scheduled basis, the cost of the interest is not passed on to the tenants. Property taxes are collected on the improved properties, the social and financial costs of housing abandonment are contained and higher quality apartments are made available to local neighborhoods.

The Rehab CD, like the proposed CHLDP, offers a variety of terms and rates to attract a diverse group of investors. The program is summarized below.
• Minimum investment is $1000.
• Terms range from one to five years.
• Investors can choose from a range of interest rates that are below the market rate and then commit the remaining earned interest to the Rehab CD program.
• The fund made a total of 10 loans available in 1996 and 1997, which produced 166 units of rehabilitated housing. In its 11 year history the program has enabled 1030 units of affordable housing to be rehabilitated.

The IFH loans are backed by the South Shore Bank Rehab CD. The investors have deposited their funds and have chosen to receive a below market rate of return for a comparable deposit. The difference between the below market rates and the market rate
of return for CDs is contributed to a fund which is then loaned to small businesses at low interest rates.

The IFH program and the Rehab CD give the power of rebuilding neighborhoods and communities back to the residents. The goals of the programs are:

- to ensure safe and affordable housing for low and moderate-income families,
- to create non-bureaucratic access to credit for cost-effective rehabilitation,
- to prevent demolition of still serviceable housing units, once rehabilitated,
- to minimize displacement by arresting neighborhood deterioration,
- to improve the community’s multi-family housing stock,
- and to promote entrepreneurship among local rehabbers through an incentive to renew buildings that might otherwise be lost.

The IFH converts deposits from investors who are looking for a socially responsible investment into low-interest (or no-interest) loans. The program provides funds for affordable housing in the local community. The interest generated by the Rehab CD portfolio was $107,036 in 1996 and $116,031 in 1997 for the IFH fund. Investors include foundations, religious organizations, corporations and individuals.

**The Ohio Community Development Finance Fund**

The Finance Fund is a statewide nonprofit corporation that serves locally controlled community based nonprofit organizations in low-income communities. Their clients develop and implement projects in single and multi-family housing rehabilitation, new construction, home ownership, transitional housing, commercial revitalization, economic development, and child care facilities. The Finance Fund offers several products to assist low income populations in urban and rural areas, one of which is a linked deposit program, which serves as a debt enhancement tool enabling lenders to make low interest rate loans to community groups.

The Linked Deposit Program provides community based nonprofit developers with access to affordable financing from local lenders for housing and economic development projects that are affordable to low-income people. The program enables:
• local lenders to make loans to community projects on favorable terms, (interest rates as low as 2% and terms as long as 20 years),
• loans to be discounted through a package of deposits specifically structured for the project,
• socially conscious depositors to participate in projects benefiting low-income communities while putting their capital in a safe non-risk investment,
• and organizations to make projects affordable to households below 80% of area median income in their communities.

The Finance Fund project sizes have ranged from $70,000 to $6.8 million. The Finance Fund deposits have ranged from $25,000 to $200,000.

Eligibility:
Organizations accessing the fund must:
• be incorporated as a 501(c)(3),
• be created for the purpose of meeting the needs of a defined low income (80% of Median Family Income) neighborhood, community or target area,
• have a board of directors that is representative and accountable to the neighborhood or community it serves, including significant representation of low income residents,
• show evidence of their capacity to raise funds and manage resources,
• and have a broad development focus as evidenced by prior experience in implementing housing rehabilitation, housing construction, commercial revitalization, economic development, or energy conservation projects.
Summary of Existing Programs:
The student group found that investors in programs similar to the Community Housing Linked Deposit Program typically consist of a diverse group including foundations, religious organizations, corporations, and individuals. Programs have minimum opening deposits ranging from $500 to $1000 with terms from one to five years, and in some cases depositors are given the flexibility to add $100 or more at any time during the first two years. In addition, depositors are most often given the flexibility to choose the interest rate on deposits and the interval at which they will receive interest payments, while giving consideration to the needs of those whom the fund serves.

Financial assistance is typically provided in the form of below market rate loans with terms ranging from several months to twenty years. Ranging in size from $1,000 to $2.5 million, loans typically carry a maximum loan to asset ratio of 55 percent. This pooling of funds enables non-bureaucratic access to credit for cost-effective rehabilitation in the form of interest free or low interest loans for gap financing.

The programs researched have several goals and criteria for funding in common. Emphasis is placed on the provision of safe and affordable housing for low- and moderate-income households in neighborhoods where there is an affordable housing shortage. In addition, the importance of fostering a sense of community in urban areas that have been neglected by city budgets, as well as the promotion of economic and racial integration are recurring criteria for funding.

Program guidelines indicate the importance of keeping land and housing off of the speculative market by making provisions for long-term affordability in the criteria to be met by applicants for funding.

Some of the programs researched place an emphasis on the provision of transitional housing for the homeless in order to aid the working homeless and prevent households from falling back into homelessness. Another way that this goal is addressed is to provide funding only to applicants that focus on limiting housing expenses for tenants to no more than 30 percent of household income.
Many of the programs give preference to applicants that place deed restrictions on properties. They may also provide first resale options to local non-profits to protect the long-term affordability of units for both multi- and single-family units. Programs also point out the importance of maintaining a Board of Directors that is representative and accountable to the community it serves. And finally, emphasis is placed on projects that serve as catalysts for further affordable housing projects.

Questions Generated by Existing Program Research

1. Should investors earn a market rate of return?
2. What types of criteria for lending should be set in place?
3. What mix of investors is appropriate for a linked deposit program in Iowa City?
4. What should eligibility criteria be for receiving funds?
5. Should reserve funds be kept in order to provide stability to the fund?
PART II: SURVEY OF MAJOR EMPLOYERS AND DEVELOPERS

Major Employers

Introduction
The survey was designed to identify major employers who are likely to participate in a CHLDP. It also reveals their perception of housing needs in Iowa City, which would be helpful in developing strategies that would better address the housing needs in the City.

The survey of major employers focused on four aspects:
• the employers' perceptions of the housing needs of their employees in Iowa City,
• the potential for employers' participation in a CHLDP,
• the employers' opinions of the City of Iowa City's performance in providing affordable housing,
• and the employers' suggestions for increasing the availability of affordable housing in Iowa City.
ACT: Bob Elliot

Company Profile
The interview at ACT was conducted with Bob Elliot, who is spokesperson for the company. The fraction of employees who work at ACT and live in Iowa City is about 50%. The majority are highly educated, skilled professionals. ACT also hires 250 to 600 temporary and contingency employees. The breakdown of the 825 permanent employees is the following:

- 372 sales, marketing, clerical, and computer technical,
- and 453 professional.

ACT currently provides relocation assistance to professional employees, and also covers the cost for a trip to the area to search for housing, but does not offer housing assistance. The difficulty ACT employees have in finding housing is related to suitability and affordability. Elliot indicated that it is not extremely important that the employees live close to ACT.

Commentary on CHLDP:
As a spokesperson for ACT, Elliot was in support of the CHLDP.

Additional Commentary:
Bob Elliot commented that ACT has a broad need for affordable housing at all levels of the spectrum. Downpayment assistance may be the best option for ACT according to Elliot, because this is typically the greatest barrier to purchasing a home. The employees at ACT often come from areas where they are able to afford higher quality housing at a more reasonable cost in comparison to Iowa City. Elliot stated that because of the lack of affordable housing at higher levels of income as well as lower levels, Iowa City is losing valuable contributions to the community since talented and well meaning people are choosing to live where it is more affordable.

Elliot finds the number of regulations placed on properties in Iowa City to be cumbersome for developers. He also stated that City staff was not helpful in Iowa City. Elliot gave the City of Iowa City a "C" for efforts in affordable housing, but a "D" for putting their money where their mouth is.
General Mills: Maria Slavens

Company Profile

At General Mills about 33% of employees live in Iowa City, 50% in the metro area and the rest live in the county or surrounding small towns. Of the workforce, 95% is technical and their income falls into the 60% of median income bracket for Iowa City. The company offers incentives and overtime to supplement their income; however, the company doesn’t want employees to base housing decisions on this extra income.

General Mills offers relocation assistance for the 5% of its employees who are professional but offers no housing programs to their technical employees. Ms. Slavens indicated that the plant is considering expansion, and affordable housing for future employees is an issue. General Mills’ employees have difficulty finding housing in Iowa City due to its cost. In fact, Ms. Slavens herself had a difficult time finding affordable housing upon relocating to Iowa City, but has a hard time convincing her superiors in Minneapolis of the lack of affordable housing in Iowa City due to the general perception that housing in Iowa is inexpensive.

Commentary on the CHLDP:

As plant manager, Ms Slavens indicated a strong interest in the CHLDP. Since General Mills’ headquarters is in Minneapolis, MN, she is not able to make investment decisions at the local level. General Mills currently has no local investments; however, Slavens is interested in presenting the possibility of participation in the linked housing CD to her superiors in Minneapolis. Ms. Slavens intends to take this program to her next corporate meeting to find out if a local CD investment is possible. She feels strongly about this since most of her employees would directly benefit from affordable housing.

Additional Commentary:

Ms. Slavens pointed out that her employees have made significant contributions to the Iowa City community, and it doesn’t seem fair that they cannot even afford to live here. In particular, she stated that General Mills’ employees donate more money to the United Way per employee than any other major employer in Iowa City.

The employees at General Mills are of the type of workers who would greatly benefit from an affordable housing project in Iowa City. Ms. Slavens believes that her employees would greatly benefit from a down payment assistance program and that multi-family housing or zero-lot lines would be appropriate for General Mills employees who typically are young and single, or have no children.
NCS: Gary Mainor

Company Profile
NCS gave rough estimates that approximately 60-65% of their employees live in Iowa City, though they also believe this number is declining. Thirty-five to 40% of their workforce earns somewhere between $7.20 and $18.00 an hour. Assuming their employees are the primary wage earners for their households, these incomes would place these employees within our target group. Like the other corporations interviewed, NCS does have a housing relocation program for higher-paid/managerial/technical staff.

Currently NCS has 932 employees. However, during the last few years about 70% of their new employees have chosen to live outside Iowa City, opting for Coralville, North Liberty, and West Branch. The labor force hired by the company varies from manual laborers to technicians.

Commentary on CHLDP:
NCS may be interested in a program specifically focused on their employees. Currently, the company does not have any investment in the local community. NCS headquarters is in Minneapolis where financial decisions are made. The company does not hold CDs because the return rate is not competitive. Therefore, they would not be interested in investing in CDs earmarked for community housing development in Iowa City. NCS also indicated that they would not invest in lower than market rate CDs linked to community housing even if the difference were tax deductible.

Additional Commentary:
NCS believes that more of its employees would like to live in Iowa City. NCS views it as valuable to have their employees live within Iowa City. However, there is a general lack of rental units for employees in Iowa City.

Mr. Mainor also mentioned that the City responds more often to student needs. He did not think the city had done an adequate job in providing housing for local employees. He identified the greatest need for housing in Iowa City is an increase in the total number of units available to people like the employees of NCS.
University of Iowa: Diana Cook

Company Profile
With 22,231 employees, the University of Iowa is the largest employer in the County. Ms. Diana Cook, treasurer/risk manager for the U of I could not provide much employment information. She could only speculate that most of the employees were involved in academic or healthcare work with a wide range of incomes. In addition, she was not aware of any complaints about housing problems from U of I employees. Ms. Cook indicated that employees of the U of I have a wide range of income.

Commentary on the Community Housing Linked CD Program:
The U of I can, but does not have any CDs in its portfolio. In addition, the U of I does not have any investments in the local community. The University indicated that it is unlikely they would buy CDs because they are not competitive on the open market.

As a state university, most of the investment decisions are made at the state level. Ms. Cook indicated that a tax deduction is not an incentive for the U of I. Therefore she also indicated that the University is unlikely to invest in a CD with a lower than market rate of return, even if such a CD would be earmarked for community housing. In addition, Ms. Cook said that the linked deposit program should aim at the general public instead of local employers.

Additional Commentary:
Ms. Cook questioned the need for additional units because she could not see a shortage of housing in Iowa City. She believes that rent vouchers would be a better option than subsidies for housing construction because it would avoid hurting the landlords.

Ms. Cook believes that having employees reside within Iowa City is desirable. This would alleviate the parking problem for U of I employees. She further stated that the City is not doing enough to provide housing opportunities. However, she did not think that the University would participate in any community housing programs because the University's investment policy is made at the state level.

To clarify, Ms. Cook explained that availability and affordability issues should be separated. A housing program should address the ability to pay for existing housing. While Ms. Cook agreed that close proximity to work for employees was a valuable concern, she did not believe it was the job of the City to provide new housing opportunities for U of I employees. Ultimately, Ms. Cook was not convinced that the City of Iowa City had a shortage of housing.
Proctor and Gamble: Tim Gibbler

Company Profile
Mr. Tim Gibbler, spokesperson for the local Procter & Gamble plant, indicated that Procter and Gamble employs 580 people. Although a specific percentage is not available, it is estimated that a large number of the employees live outside of Iowa City. It was explained that many of the employees are native to the Iowa City area and are familiar with the expense of the local housing market. While figures could not be released regarding employee residence or pay, P & G did indicate that the majority of their labor force worked on the production line or performed clerical tasks.

The company does not provide any assistance for employee housing needs. However, it has programs to assist executive employees in relocation. Mr. Gibbler was not aware of any complaints regarding housing from P & G employees. However, Mr. Gibbler did encounter difficulties in finding housing when he first came to Iowa City.

Commentary on the CHLDP:
Similar to NCS, Procter and Gamble does not and would not have any investments in local communities because it is globally managed. The company would not be interested in investing in CDs because the interest rate is not competitive. A decision to invest in CDs would be highly unlikely unless housing costs were actually perceived as severe by Proctor and Gamble administrators. Thus far, no complaints have been heard on this matter. Therefore, Proctor and Gamble’s participation in the CHLDP is highly unlikely at this time.

Mr. Gibbler thought that increased affordable housing opportunities in the city would benefit the company in terms of providing more flexibility for their employees. Since most of the company’s employees do not reside within the city, he thought the City’s performance in providing housing needs is not a concern of Proctor and Gamble.

Additional Commentary:
Mr. Gibbler indicated that close proximity to work would be a valuable option for Proctor and Gamble employees.
Rockwell International: Kent Statler

Company Profile

Mr. Kent L. Statler, manager of the local Rockwell plant, pointed out that affordable housing is a serious problem in Iowa City. However, due to the recruitment policy of the company, most of their employees reside in small towns, rural areas, and Cedar Rapids. Affordable housing is not a major issue for Rockwell, as the employees of Rockwell do not typically live in Iowa City.

Currently fewer than 10% of the employees at Rockwell International reside in Iowa City. The annual income range for manufacturing workers falls between $20,000 and $30,000. This falls into the 60% to 80% of median income bracket for Johnson County. Of the 820 employees, 650 are production line workers. The others are office workers. Generally, the company does not help their employees with their housing needs. However, Rockwell International has a relocation program for its test technicians and executives.

Commentary on the CHLDP:

With its headquarters in San Francisco, the financial portfolio of the company does not contain any investments in the local community. The company does buy CDs, but only in California. The company would not be able to buy CDs locally because all of the profits would flow up to the corporate level.

As plant manager, Mr. Statler did not perceive that there were any housing difficulties among the employees. Since most of the employees were originally from outside of the Iowa City area, he doubted if they would like to live in Iowa City.

Additional Commentary:

According to Mr. Statler, Rockwell has a loyal workforce that lives in rural areas and does not mind a long commute. Mr. Statler did not have particular comments about the City’s performance regarding affordable housing issues. However, he did think that housing prices in Iowa City are high for the blue-collar labor force. Located in Coralville, with most of its employees living in rural areas, it is unlikely that the company would participate in a CHLDP for Iowa City.
As to the employees’ distance from work being a value to the company, Statler identified that closeness to work can help with attendance, but Rockwell places a high value on the characteristics of their rural employees.

Mr. Statler pointed out that housing should be an issue beyond Iowa City. The lack of affordable housing is a common issue across Eastern Iowa and should be considered as such. If a housing program can cover a larger area including those small towns where Rockwell’s employees come from, the company may benefit more.

Mr. Statler also thinks the community of Iowa City should be more diverse. It would be good for the community to have a healthy balance between the white and blue-collar populations. Affordable housing would attract blue-collar people to Iowa City. He felt this is an important Iowa City issue, a community needs a mix of incomes. Balance in a community maintains its economic viability.
Summary of Employer Surveys
The research team recorded the concerns and needs of the surveyed group of local employers. While most of the employers interviewed indicated concerns regarding the lack of a sufficient number of affordable housing units in Iowa City, there are two who stood out. In particular, the University of Iowa representative did not connect the need for affordable housing units with affordability issues. She believed that affordability would be better addressed through subsidizing existing housing. And Rockwell International was not so concerned with affordable housing within the City of Iowa City, since they indicated that most of their employee base comes from rural Iowa and prefers to live there. Table 4 provides highlights from local employers.

<table>
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<tr>
<th>Table 4: Employee's Place of Residence</th>
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<td>Iowa City</td>
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<td>NCS</td>
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<td>ACT</td>
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<td>Proctor &amp; Gamble</td>
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<td>Rockwell</td>
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<td>General Mills</td>
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As evidenced by Table 4, many of the employees working for Iowa City's major employers live outside of Iowa City. These employees are typically engaged in the types of labor indicated in Table 5. Drawing on the information provided, one can see that there are a significant number of workers at the lower end of their respective pay scales.

<table>
<thead>
<tr>
<th>Table 5: Employee's Type of Occupation</th>
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<tr>
<td>Prof./Tech.</td>
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<td>NCS</td>
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<td>General Mills</td>
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All except one of the employers interviewed suggested either that affordable housing was a problem or that most of their employees do not live in Iowa City, which may be indicative of an affordability problem. Responses related to the City's effectiveness in increasing the supply of affordable housing were varied. While two of the employers interviewed had no opinion on the issue, one employer was clearly not impressed with the City's efforts, stating that Iowa City staff had not been very helpful. Another
employer stated that he believed Iowa City had demonstrated more interest in student housing than in housing those who are employed here.

None of the firms interviewed currently have investments in the Iowa City community. In most cases, the reason given is that the firm's headquarters are located outside the State of Iowa. In addition, each of the firms interviewed indicated that they would not be interested in investing in CDs since the rate of return is not competitive compared to other investment options. However, two of the firms indicated that they would be interested in presenting the possibility of participation in the CHLDP to executives at their company headquarters. And finally, several of the employers interviewed indicated that the program that would be most beneficial to their employees would be a down-payment assistance program.

While all of the firms interviewed indicated that they provided relocation assistance for those employees at the executive and professional levels, clerical and laborer positions receive no assistance. Further, the firms indicated that they played no part in assisting these employees to locate or purchase housing, however most of the employers interviewed indicated that it is valuable for them to have their employees live in close proximity to the workplace.

**Questions Generated by Employer Surveys**

1. Are there other affordable housing programs that would be more appropriate than the CHLDP?
2. Would it be more appropriate to approach smaller businesses and individuals in the area given that most of the financial decisions of larger employers are made outside of the local community?
3. Is the number of Iowa City employees living outside of the area indicative of personal choice or an affordable housing problem?
4. Should the City government place a greater emphasis on the affordable housing needs of Iowa City?
Developers/Builders

Introduction
The survey was designed to assess the willingness of major developers in Iowa City to participate in a CHLDP. The survey also provides information about how these potential participants perceive the housing needs of Iowa City. Their opinions would be helpful in developing strategies that would better address the housing needs in the City.

The survey of developers focused on two aspects:
• the obstacles that the developers may encounter in developing affordable housing,
• and the potential impact of CHLDP on providing incentives to affordable housing development.
Southgate Development: Glenn Siders
Profile
Glenn Siders is employed by Southgate Development. Southgate has been involved in some developments considered to be affordable housing. He feels that affordable housing can be built in Iowa City, although his concern is that this type of housing may not sell fast enough and may be somewhat risky. He also stated that a good program would involve the education of homebuyers, since households tend to want a lot for their money.

Mr. Siders was receptive to the idea of a CHLDP for the City of Iowa City. He responded to the questions posed and provided further insight on issues related to the construction of affordable housing in Iowa City.

Mr. Siders initially stated that he had not been involved in the construction of affordable housing in Iowa City. However, upon seeing the figures we provided for median family income (MFI) levels, and the corresponding figures for affordable housing at 60% of median income, Mr. Siders realized that he has actually been contributing to the affordable housing stock. In particular, Southgate was part of a partnership with a real estate agent and a builder that was responsible for the development of Walden Woods. While the partnership served to mitigate risks, it also allowed each partner to take a cut of the final profit as opposed to the normal percent cut. This resulted in a group effort that was beneficial to all.

Walden Woods is comprised of zero lot line parcels, but the single-family units developed there are still detached. Single family units in the development would have sold for between $93,000 and $110,000 five years ago, which would fall into the 80% of MFI category of our affordability scale. The houses are closer together, sometimes leaving five feet between units with no windows on the sides facing each other. While not intended to be affordable housing, the higher density reduced the cost of infrastructure, thereby reducing the final cost to homebuyers. Mr. Siders feels that this is the way of the future in new area development.
Perspective on Housing in Iowa City:
Currently Southgate development is in the process of building a new development north of Walden Woods. This development, like Walden Woods, will have narrow lots and housing prices below $100,000 making it affordable to households at or below 80% of median family income (See Appendix A-1). Further construction of affordable housing would be considered if there were some relaxation of regulations or bonuses put in place. For example: a density bonus would lower the cost of affordable housing development by reducing the amount of infrastructure needed to service the number of household units. Planned Area Development would also further the cause of affordable housing.

Commentary on the CHLDP:
Construction financing at the current time is not a barrier; however, he feels that any money saved is a positive thing from the developer's point of view. A small amount saved on one unit will add up to larger overall savings that will result in a lower selling price for the home-buyer.

Southgate does not find construction financing to be the greatest barrier to constructing affordable housing since the term of the construction loan is short. Mr. Siders had two questions related to the CHLDP: (1) What would be the limit on low interest construction loans? (2) Could a single builder or developer be restricted as to the amount they could borrow or would it be dependent on the project?

Commentary on alternatives for meeting Iowa City’s Affordable Housing Gap:
Incentives to building affordable housing for Southgate include a combination of several programs that would include: pre-selling the units to decrease risk, increased density allowances in Planned Area Developments (4 to 5 lots per acre), educating buyers so they understand what they can buy for their money, partnerships including real estate firms, builders, lending institutions, and developers.
Dennis Spencer Construction

Profile

Dennis Spencer stated that although affordable housing has not been its focus, Spencer Construction is currently involved in a partnership with Southgate Development, Iowa Realty, and Modern Wall in Walden Hills, a development near Highway 218. The project is a diverse development including single-family units on small lots (40~50 units), 13 ranch-type retirement homes, and some townhouse units. These units sell for between $113,000 and $122,000. Those units at the lower end may be affordable to those in the 80% and below median family income bracket.

At the present time Mr. Spencer is building affordable multi-family dwellings in North Liberty and Coralville. The rent for these units is $575 for a two-bedroom without patio or deck and $595 for a two-bedroom apartment with patio and deck. These rents would be much higher in Iowa City due to the fire sprinkler code which may add as much as $18,000 to $22,000 per building according to Mr. Spencer. The condominium units he has built for similar monthly payments in both North Liberty and Coralville include washer, dryer, air conditioning and appliances.

Perspective on Housing in Iowa City:

Mr. Spencer stated that the biggest obstacle to affordable housing in Iowa City is dealing with the City Planning office itself. The City of Iowa City pays lip service to affordable housing, but contradicts itself with numerous regulations. His feeling seemed to be that the City wants input on how development costs could be lowered, but doesn’t really listen to what developers and builders have to say.

Commentary on the CHLDP:

Mr. Spencer indicated that working with a realtor may be integral to the success of a project, since he felt that more affordable housing would be constructed if builders were assured of sale upon completion.

Mr. Spencer showed interest in the linked housing CD program. However, he doesn’t see construction financing as a huge barrier the way building codes have been. The sprinkler systems required by the city code along with limits on density each contribute to higher housing costs in Iowa City. Although financing is not the biggest obstacle to
affordable housing construction, Mr. Spencer indicated that any money saved would add up over time, to reduce costs for homebuyers.

**Commentary on alternatives for meeting Iowa City's Affordable Housing Gap:**
Mr. Spencer believes that affordable housing could be provided more often in Iowa City if code changes were combined with other incentives like pre-selling to decrease risk incurred. According to Spencer, it will be helpful to have a non-profit administer this program with potential clients in mind before construction begins. In that case, having realtors as a part of the partnership may not be necessary.
Lammers Construction

Profile
Lammers Construction is a company that does rehabilitation and remodeling work. They offer more of a specialty type of construction. Dan Lammers felt that, in a partnership situation, he might be interested in being involved in the provision of affordable housing in Iowa City.

Perspective on Housing in Iowa City:
The most valuable piece of information we received from Mr. Lammers has to do with local builder’s and developer’s perceptions of the City of Iowa City. In his interpretation, it is a slap in local businesses' face when the City hires outside design and construction companies to deal with projects that could be handled as proficiently by local businesses.

Lammers stated that his own employees couldn’t afford to live in the City of Iowa City. He pointed out a paradox in which construction companies can either pay their own employees enough to live in Iowa City or they can pay them less, thereby cutting costs in hopes of lowering the cost of housing units built in Iowa City.

Commentary on the CHLDP:
Lammers feels that affordable housing construction loan criteria should stipulate that local residents/builders should be able to get the low-interest construction loans and that they not be offered to outside firms.

Commentary on alternatives for meeting Iowa City’s Affordable Housing Gap:
His comments were directed at the use of City funds to hire outside consultants and designers when there are capable people in Iowa City.
Wagehoft Home and Land Company

Profile
Mr. Wagehoft's business consists mainly of additions and add-ons to homes already built. He also spoke of the impact that regulations have on the cost of housing in Iowa City.

Perspective on Housing in Iowa City:
At this point in time Wagehoft is not focusing on building new homes. He did mention that his employees can not afford to live in Iowa City.

Commentary on the CHLDP:
Mr. Wagehoft indicated that he would not get involved with the CHLDP since his work is in home finishing and remodeling.
Crosby Construction
Profile
In a telephone interview Boyd Crosby explained that he did projects for all types of incomes. However, Mr. Crosby didn't consider them to be affordable housing because of their smaller size. Implicit in this statement is Mr. Crosby's belief that affordable housing developments use a significant amount of land.

Perspective on Housing in Iowa City:
While Mr. Crosby believed that the need for construction of affordable housing was a valuable goal, he did not picture himself being a trendsetter for such a program. Mr. Crosby felt that part of what drives up the price of housing is the lack of a workforce in the area of construction. His feeling is that more high school graduates are opting not to enter this job market. This has driven up the wage requested by the remaining workforce. In addition he felt that there was a shortage of skilled laborers.

Commentary on the CHLDP:
Mr. Crosby concluded that if such a program were in existence, he would consider using this financing alternative. At present, Mr. Crosby feels he has all the work he can handle.

Commentary on alternatives for meeting Iowa City’s Affordable Housing Gap:
Mr. Crosby believed that the best affordable housing option would be manufactured housing. However, his interest in pursuing these types of developments appeared to be remote.
Moreland Construction

Profile
Moreland develops housing that would be considered affordable. He is currently
developing housing that is at or around $109,000.

Perspective on Housing in Iowa City:
Mr. Moreland explained that detached single family housing would be difficult to build at
an affordable price without lifting zoning requirements for denser developments (i.e.
cluster housing).

Commentary on CHLDP:
Mr. Moreland did not believe that construction financing was a current barrier since
established developers in the area can get fairly low rates anyway. He would consider
participating in a CHLDP, but he thinks that the banks should be responsible for
recognizing affordable housing developments as opposed to developers seeking out
these funds.

Commentary on alternatives for meeting Iowa City’s Affordable Housing Gap:
Mr. Moreland’s preliminary comments were that construction financing was probably not
as important as permanent financing for the homebuyer. He is considering developing
more affordable housing by using smaller lots, cluster housing, and smaller houses.
Developing affordable housing is feasible so long as the market for the housing exists.
He felt that financing should be focused on the homeowner, by reducing the cost of
permanent financing for mortgages. “A couple of points off of the construction financing
is small, but for permanent financing to be reduced from 7% to 5% is huge”. Affordability
could be promoted by offering property tax abatements to new owners of affordable
housing.

Mr. Moreland noted that the city appears to be more interested in these issues recently,
something he sees as a positive. He further states that Iowa City needs to promote the
development of diverse housing for a diverse population and Iowa City would benefit
from housing that serves a population of all incomes and backgrounds.
DPO Construction: Donald Otto
Profile
Mr. Donald P. Otto began the interview by clarifying that he was not a developer. As a builder, he does not speculate or take on financial risk. He provides building services. When contracted for housing, Otto focuses on no particular income level, so he has and could be a builder of affordable housing.

Perspective on Housing in Iowa City:
While he believed that housing could be developed at an affordable price. He also felt that some existing factors stood in the way of affordability.

Commentary on the CHLDP:
As to whether construction financing stood as a current barrier, Otto had no personal experience.

Commentary on alternatives for meeting Iowa City's Affordable Housing Gap:
Mr. Otto believed that the long term affordability of housing could be achieved by promoting efficient energy use. This is currently promoted by Mid-American Energy offering rebates on energy efficient building materials. Other things that he thought could encourage affordability would include addressing land costs, zoning amendments, zoning requirements, utility costs.

"Let's not build it cheap, or in such a way that a big development is stigmatized as affordable housing," suggested Otto. This could be achieved by scattering affordable housing developments. Floor space requirements should be reduced. Smaller homes would reduce the actual costs of construction. Energy efficiency and the reduction of long term utility costs could also be utilized to promote affordability.
Summary of Developers/Builders Surveys

The perspective offered by the developer/builder surveys was quite informative. Participants had many useful suggestions and comments related to the provision of affordable housing in Iowa City. In addition, nearly all the developer/builders who were interviewed felt that the survey educated them about what constitutes affordable housing in Iowa City. In fact, after reviewing affordable housing prices, as defined by the student group (See Appendix A-2), they recognized that a portion of the new housing they were developing would constitute affordable housing for families at 60% to 80% of median family income. Below is a short summary of comments made by developers and builders.

The consensus among all developer/builders is that a CHLDP for low interest construction loans is not sufficient enticement to build affordable housing in Iowa City. Acquiring financing is not a barrier and developers are currently able to obtain financing at a low interest rate for construction. For this type of program to work it would have to be tied to other incentives such as relaxing certain zoning and building code regulations. It is felt that, on the surface, the City supports the provision of affordable housing but in reality the regulations make it difficult to construct. In fact, the general feeling among developers/builders is that the City turns a deaf ear to their suggestions and concerns regarding practical methods to increase the supply of affordable housing.

Perhaps the most frequently heard comment concerned regulations placed on development by the City. Density requirements are perceived as the most restrictive. For example, if the density requirements were relaxed to 4 to 5 lots per acre, infrastructure costs could be cut substantially, and the savings could be passed on to the buyer in the form of lower market price.

One of the developers/builders felt that it is inappropriate for the City to go outside the community to hire firms for projects that could be handled as competently, or even more so, by local firms. This has led to some dissatisfaction with the City in terms of its loyalty to local firms. Related to this issue, developers argued that the CHLDP funds should be accessible to local developers/builders on an exclusive basis.
There was a general feeling that the risk associated with the provision of affordable housing is higher than with the average housing development. It was suggested that the perceived risk could be reduced by identifying potential buyers in the pre-construction phase, along with the formation of a partnership including developers, builders, lending institutions, non profits and potential residents. The partnership would spread the risk while ensuring the sale of the units.

According to the developers/builders, educating potential buyers of affordable housing about the process of homebuying and types of amenities available to them would make the program more successful. One option could be to inform potential residents of the effectiveness of sweat equity in reducing the cost of homeownership.

Mixed use developments that include single family units, townhouses, condominiums, manufactured housing and retirement homes will provide housing at an affordable price to a broader range of households.

There is a general feeling among developers and builders that there is a shortage of skilled laborers in Iowa City. A concern shared by developers/builders is the lack of affordable housing within the City for their own employees. Due to the fact that construction laborers within the City demand a higher wage, many construction crews are hired from outside Iowa City. The result is that laborers who live in Iowa City are able to demand a higher wage. If construction laborers within the City are paid a higher wage the selling price of housing will reflect that higher wage and will be passed on to the homebuyer.

One developer felt that permanent financing for homebuyers in the form of low interest mortgages to provide affordable housing would be more effective than low interest construction loans. In addition, property tax abatements to homeowners would also be beneficial in lowering housing costs.

According to the developers/builders, long term energy efficiency and lower utility costs would also add to housing affordability in Iowa City. This could be achieved by taking advantage of rebates on energy efficient building materials and passing the value of the rebates on to the homeowners.
Questions Generated by Developer/Builder Surveys

1. Is below market construction financing an appropriate use of the funds created by the CHLDP? If not, what would be better?
2. Is subsidization of the construction phase the best means to producing affordable housing?
3. Should city government place more emphasis on eliminating restrictive regulatory measures to promote the development of affordable housing?
4. How can developers’ concerns regarding the perceived risk of affordable housing development be addressed?
PART III: RECOMMENDATIONS

The following questions and recommendations were generated from the research of existing programs and surveys with major employers and developers.

Making the CHLDP work

1. Should investors earn a market rate of return?

Based on discussions with existing linked deposit program directors, investors initially respond more positively to market rate of return CDs. Once the program is well established and is recognized by the community, the program can allow the flexibility of below-market rate returns. To accommodate for this, the program should be designed with a flexible rate of return, where investors select rates at or in between market rates and 0% interest. When the program has assisted the development of affordable housing options that are well received by the community, investors may then opt for below market-rate returns. Below market rate returns could be marketed as charitable donations of investors future funds. As such, below market rate returns also allow the opportunity for claiming future fund donations as tax deductions.

2. What types of criteria for lending should be set in place?

Based on recent information from the Planning and Community Development staff, there seem to be two types of housing shortages in Iowa City, both of which result in shortages of housing for very low income (below 30% of median income) households in Iowa City. The first shortage is an absolute shortfall in the number of affordable units for people at or below 30% of median income. The most recent housing needs assessment shows that more housing at fair market rent is needed in Iowa City. A program designed to directly address the housing needs of very low income residents of Iowa City would require the construction of units that would be available only to residents at or below 30% of median income.
Based on input from local employers, developers, and the Community Housing Forum participants, these projects should be of a mixed income nature. Many have argued against the development of "housing projects" that concentrate low-income households since they are typically stigmatized as poor peoples' housing. Therefore, CHLDP funded developments should encourage a mixture of incomes. For instance, criteria for an apartment development could require a development to include 50% very low income households (30% of median income) at fair market rents, leaving no income requirement for the remaining 50% of the units in the development, but encouraging higher income households to live in the development. Another alternative could include an income mixture of 75% of the units available at fair market rents for households at or below 50% of median income and the remaining 25% no income requirements. Again, higher income households would be encouraged to live in the remaining units. In addition, long term affordability should also be promoted in these developments. This would be encouraged by empowering nonprofit organizations to be the developers and managers of new affordable housing developments.

There is also a shortage of home purchase opportunities for Iowa City residents between 50% and 80% of median income. If more homes were affordably priced for these households, many of these families could move into homeownership and relieve some of the current pressure on the rental market in Iowa City. In this manner, the CHLDP would also serve to reduce the current shortage of rental housing.

Home prices are considered to be affordable when a family spends 30% or less of their income on housing related costs (mortgage and utilities). In the student group's surveys of developers and employers affordable home prices for different sized households at 60% of the area's median income were included. This was determined by figuring the annual cost of a 30 years mortgage and including a 5% down payment. An effective program would determine these affordable prices each year to be used as guidelines for funding developments. Households at or below 80% of median income would be targeted for purchase of newly built homes. Again, long-term affordability should be given high priority when selling these homes. There are various methods for maintaining long term affordability in the resale of homes. City staff should investigate a method that is politically feasible for accomplishing this.
3. Who would be the most appropriate group of potential investors for the CHLDP?

In the surveying process, the student group focused on major employers in Iowa City as potential investors in the CHLDP. Existing linked deposit programs have attracted investors by marketing their programs nationwide, even worldwide. However, based on survey responses the market base may be different in Iowa City. Some of the major employers expressed interest in CHLDP participation, however, the possibility of them getting involved is unlikely because financial decisions are made at corporate headquarters, which are located outside of Iowa City.

The focus for potential investors should be on small local businesses, which have a stronger interest in the local community than the major employers surveyed for this report. Although the investment from each local business might be limited due to its small operating scale, the funding pool generated by the investments may still be able to provide enough money to get the program started. In addition it is also advisable to open the program to general public who will also have an interest in local affordable housing issues.
4. Are there other affordable housing programs that would be more appropriate than the CHLDP?

Based on survey results, the CHLDP is not the most attractive investment choice for major employers since the return on investment for a CD is relatively low compared to the return rate on other investment opportunities. Employers indicated that it would not be wise to put a large amount of money in CD.

Businesses must be able to perceive additional reasons to get involved in an affordable housing program in order to make an investment. The housing needs of their employees maybe the impetus. For example, a housing program that provides housing opportunities in close proximity to working place may benefit the employers by increasing the punctuality of their employees.

5. Is below market rate construction financing an appropriate use of the funds created by the CHLDP?

Based on the responses offered by developers/builders, it appears they do not consider construction financing to be the best use of CHLDP funds for the following reasons: 1. in most cases, developers in Iowa City can already obtain low interest construction financing based on their reputation with local lending institutions, and 2. due to the short-term nature of construction financing the amount of money saved by the CHLDP would be minimal. In fact, two of the developers interviewed were already building affordable housing (based on the criteria in the Housing Forum) in Iowa City.

6. What other than subsidization of construction financing would better serve to promote affordable housing in Iowa City?

There are several programs that developers indicated would be more effective than construction phase financing incentives to add to the affordable housing stock in Iowa City. These responses were related to regulatory changes and partnerships to develop build and sell affordable housing.
Regulatory changes seemed key to all developers/builders interviewed. While the city has taken the initiative to open a dialogue between the city and developers, the developers remain frustrated by the perceived lack of importance placed on their input.

According to developers, increased density allowances would reduce infrastructure costs while encouraging creative developments such as cluster- and mixed-income housing. Smaller lots and the increased use of Planned Unit Developments are additional regulatory changes that could be put in place by the city. Each of these changes would serve to reduce the cost of construction, thereby reducing the final cost to homebuyers. In addition, property-tax abatement for homeowners would provide a way for the city help to lower monthly housing costs.

**Making Affordability work in Iowa City**

7. How should affordable housing program funds be managed?

Distribution of funds should be managed fairly and equitably. As such, Administrative Board members should be representative of and accountable to those whom it serves. Specifically, the Administrative Board should include members of the following communities: (1.) development, (2.) investment, (3.) banking, and (4.) low- and moderate-income households. The board should weigh input from each group represented in making funding decisions both for proposed development projects and the proposed residents of such developments. In addition, a regularly scheduled review in which criteria for development funding and household criteria are evaluated should be set in place and maintained by the board. It is hoped that the research provided herein will be helpful in establishing initial criteria for funding and resident decisions.

8. Should reserve funds be kept in order to provide stability to the fund?

Affordable housing program funds should identify a portion of the full amount for use as reserve funds for unforeseen costs during development or in the early years of existence. This reserve fund will help reduce some of the perceived risks associated with these developments, and should be maintained accordingly.
9. Is the number of Iowa City employees living outside of the area indicative of personal choice or an affordable housing problem?

In some cases, the fact that large portion of employees live outside of Iowa City is likely to be associated with personal preference. However, this also reveals that most of the housing units, especially rental units, available within the city do not fit the housing needs of working families. Even if these employees would want to live in Iowa City the price of housing is prohibitive.

10. How can developers' concerns regarding the perceived risk of affordable housing development be addressed?

There is a perception among developers/builders that there is an inherent risk associated with constructing affordable housing which is greater than the risk associated with the construction of the average housing development. The identification of potential homeowners before construction would serve to reduce this risk by knowing units would be sold after or during construction. This task should be a function of the administrative board for affordable housing program funds.

In addition, an education program for potential homeowners should be built into a risk management program to address the value of sweat equity as well as provide information on what amenities can be included without causing the price of housing to go beyond an affordable range. Developers/builders also indicated the value of a partnership between developers, builders, lending institutions, non-profits and potential residents. Under this scenario, participants are encouraged to work together to finish projects in the most efficient manner. In the end, the partnership divides profits and mitigates any potential risks to any one partner.

11. Should City government place a greater emphasis on the affordable housing needs of Iowa City?
From the employers' point of view, affordable housing is an important issue because it enables them to attract talented and well-meaning people to Iowa City. Considering the high housing cost and the low vacancy rate within the city most of employers think that the city can improve their effort in providing affordable housing to their employees.

Concluding Remarks

The feasibility study of the CHLDP for the City of Iowa City reveals that the proposed program is not well designed for creating new affordable housing opportunities in Iowa City. Major employers of Iowa City are poor targets for CHLDP investors because they are detached from the interests of the local community. Construction loan financing is not a major obstacle to affordable housing development. Therefore the consensus among all developers and builders in the survey is that the CHLDP is not sufficient enticement for building affordable housing in Iowa City.

Many comments were made during the surveying process that indicated that there are larger obstacles to the development of affordable housing in Iowa City than construction financing. In particular, major employers voiced interest in seeing programs designed to provide down payment assistance to their employees. Developers continue to seek relaxation of Housing and Zoning Regulations that might allow more affordable housing developments. In fact, many of these remarks are similar to recommendations made in the Community Housing Forum Report (December, 1997) currently being investigated by the Planning and Community Development Department for the City of Iowa City.
APPENDIX A

TABLES ON INCOME AND AFFORDABILITY
Table A.1: TABLE OF INCOME GUIDELINES AND DEFINITIONS FOR IOWA CITY  
Effective January 7, 1998

<table>
<thead>
<tr>
<th>Household Size</th>
<th>30% Median Income</th>
<th>50% Median Income</th>
<th>60% Median Income</th>
<th>80% Median Income</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,250</td>
<td>$18,750</td>
<td>$22,500</td>
<td>$30,000</td>
<td>$37,500</td>
</tr>
<tr>
<td>2</td>
<td>$12,870</td>
<td>$21,450</td>
<td>$25,740</td>
<td>$34,300</td>
<td>$42,900</td>
</tr>
<tr>
<td>3</td>
<td>$14,460</td>
<td>$24,100</td>
<td>$28,920</td>
<td>$38,600</td>
<td>$48,200</td>
</tr>
<tr>
<td>4</td>
<td>$16,080</td>
<td>$26,800</td>
<td>$32,160</td>
<td>$42,900</td>
<td>$53,600</td>
</tr>
<tr>
<td>5</td>
<td>$17,370</td>
<td>$28,950</td>
<td>$34,740</td>
<td>$46,300</td>
<td>$57,900</td>
</tr>
<tr>
<td>6</td>
<td>$18,660</td>
<td>$31,100</td>
<td>$37,320</td>
<td>$49,750</td>
<td>$62,200</td>
</tr>
<tr>
<td>7</td>
<td>$19,950</td>
<td>$33,250</td>
<td>$39,900</td>
<td>$53,150</td>
<td>$66,500</td>
</tr>
<tr>
<td>8</td>
<td>$21,240</td>
<td>$35,400</td>
<td>$42,480</td>
<td>$56,600</td>
<td>$70,800</td>
</tr>
</tbody>
</table>

Table A.2: FAIR MARKET RENT  
Effective October 1, 1997

<table>
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<tr>
<th>Rent (including utilities)</th>
<th>Eff.</th>
<th>1 BDR</th>
<th>2 BDR</th>
<th>3 BDR</th>
<th>4 BDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$337</td>
<td>$434</td>
<td>$558</td>
<td>$775</td>
<td>$915</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utility allowance (as of 12/16-96)</th>
<th>Eff.</th>
<th>1 BDR</th>
<th>2 BDR</th>
<th>3 BDR</th>
<th>4 BDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$43</td>
<td>$51</td>
<td>$69</td>
<td>$87</td>
<td>$104</td>
<td></td>
</tr>
</tbody>
</table>
Computing Affordable Home Prices

To calculate our affordable housing price in Iowa City for 2, 3, and 4 bedroom homes for households at 60% of median family income the student group:

1. assumed that a two-bedroom home houses a 2.5 person household, a three-bedroom home houses a 4 person household, and a four-bedroom home houses a 5.5 person household,
2. multiplied 60% of median family income by .28 to calculate monthly housing expenses,
3. assumed a utility allowance of $69 for a two-bedroom home, $87 for a three-bedroom home, and $104 for a four-bedroom home,
4. subtracted the utility allowance from the monthly housing expense to get the monthly mortgage payment,
5. assumed the interest rate to be 7.5% and calculated the present value of the monthly mortgage payment,
6. and used a 5% downpayment to adjust the value of the home.
APPENDIX B

SURVEYS
CONTACT LETTER SENT TO POTENTIAL SURVEY PARTICIPANTS

Dear Sir or Madam,

The Community Housing Forum that began in the fall of 1996 has recently come to an end. The report produced from this citizen participation process makes several recommendations for providing new affordable housing options in Iowa City. Specifically, we are exploring the idea of a Community Housing Linked CD program for Iowa City.

Major employers in the Iowa City area would purchase Community Housing Linked CDs. Through the new pool of funding created by the CDs, local banks in the program would offer developers below-market construction loans of housing meeting criteria for affordability. Such a program would benefit developers by reducing the costs of constructing affordable housing.

As graduate students in Urban and Regional Planning at the University of Iowa, we are conducting a survey to determine the willingness of the major employers, the banks, and developers to participate in such a program. This project is envisioned to be a community-wide endeavor. This survey can help us to identify the potential participants in future projects, the interest of these participants, why they are interested, what concerns or criticisms they may have, and the type of criteria that will make the program feasible.

You have been identified as a potential developer of affordable housing in Iowa City. As it is our intention to measure local developers' interest in participating in this program, it is vital that we talk to people like you. In the next few weeks we will be sending you a survey to get your input on such a program. Please take the time to fill this survey out and return it to us. Your input on this program is crucial to its success.

As the sponsor of our research, the City of Iowa City's Community Development Coordinator, Maurice Head, is available to answer any questions or concerns regarding this letter or the Community Housing Forum report. He can be reached at 356-5244 during normal business hours.

Thank you for your time and consideration.

University of Iowa,
Graduate School of Urban and Regional Planning.

Jonathon Bez
Connie Floerchinger
M.J. Gravel
Haining Qian
COVER LETTER FOR SURVEYS

THE COMMUNITY LINKED DEPOSIT PROGRAM
FOR AFFORDABLE HOUSING IN IOWA CITY

The City of Iowa City Planning and Community Development Department is working with a graduate research team from the University of Iowa’s Urban and Regional Planning program to determine the feasibility of a housing recommendation that came out of the Community Housing Forum Report. The City of Iowa City has expressed an interest in establishing a Housing Linked CD Fund to make short-term/low-interest construction loans available to developers of affordable housing. The Community Housing Forum established a need for the creation of housing for households below 80 percent of the area's median household income.*

What Is a Community Housing Linked Deposit Program?

An Iowa City linked deposit program would seek to correct a shortage in available capital, which has constrained the housing opportunities of targeted groups. Most linked deposit programs connect government funds already deposited in a bank with the bank’s promise to lend the money according to a specific criteria (e.g., affordable housing). In Iowa City, money would be deposited in a bank to provide developers with lower cost financing to build affordable owner or renter-occupied housing. Our preliminary goal is set at 2 million dollars. The City would provide some financial support, but the majority of funding for the deposits would come from organizations in the community (non-profit groups, churches, major employers and individuals) interested in supporting affordable housing activities. An example would be a company employing 500 would invest $1000 per employee at up to a market rate of return. This would enable $500,000 to be loaned out for affordable housing construction.

As a major employer, we are interested in getting your feedback on the development of a Community Housing Linked CD Program in Iowa City. As mentioned on the phone, we are sending you a copy of the survey questions for your review prior to our meeting. We would appreciate your taking a moment to look them over. Maurice Head, the City of Iowa City’s Community Development Coordinator and the sponsor of our research, is available to answer any questions or concerns regarding this letter or the Community Housing Forum report. He can be reached at 356-5244 during normal business hours.

Thank you for your time,

Jonathon Bez
M.J. Gravel
Haining Qian
Connie Floerchinger

* Affordable Housing Price in Iowa City is defined as:
2 bedroom home for a 2.5 person household at 60% of median income ($27,330) is $87,765.44.
3 bedroom home for a 4 person household at 60% of median income ($32,160) is $102,264.48.
4 bedroom home for a 5.5 person household at 60% of median income ($36,030) is $113,678.61.
28% of Income spent for mortgage minus a monthly utility allowance plus a 5% down payment.
SURVEY OF EMPLOYERS

Your Employees

A. Approximately what fraction of your employees live in Iowa City?

B. Characterize the type of labor that the majority of your workforce is involved in.

C. What is the range of income for these employees? (use hourly or annual)

D. Does your company have programs to assist employees with housing needs? (e.g. relocation programs, rental assistance, employee targeted housing.)

E. Do your employees have difficulty finding housing in Iowa City? Why?

Your Finances

A. Does your company’s portfolio contain investments in the local community? If so, generally describe.

B. Does your company hold certificates of deposit for terms of one or more years? If yes, in Iowa City? If no, could your company do this?

C. Would your company be interested in a certificate of deposit that is earmarked for community housing developments in Iowa City?

D. Would your company be interested in a certificate of deposit with a lower than market rate return so that the difference could go into new community housing? If no, what if this difference were tax deductible?

Community Housing Needs

A. Is it valuable to your company to have employees reside within close proximity to their job?

B. Do you feel that the City of Iowa City is doing an adequate job of providing housing opportunities for your employees?

C. Would your company be interested in teaming up with local lending institutions and developers to provide new housing options in Iowa City?

D. How could a housing program be designed to address the housing needs of your employees?
SURVEY OF DEVELOPERS

* Affordable Housing Price in Iowa City is defined as:
  2 bedroom home for a 2.5 person household at 60% of median income ($27,330) is $87,765.44.
  3 bedroom home for a 4 person household at 60% of median income ($32,160) is $102,264.48.
  4 bedroom home for a 5.5 person household at 60% of median income ($36,030) is $113,678.61.
  28% of Income spent for mortgage minus a monthly utility allowance plus a 5% down payment.
  See fair market rent rates on attachment.

I. AFFORDABLE HOUSING IN IOWA CITY

A. Have you ever developed affordable housing? In Iowa City? If yes, what were your experiences?

B. Would it be feasible to develop single family units or rental housing at an affordable price (see above definition) without subsidy?

C. Is construction financing a barrier to the production of affordable housing in Iowa City?

II. DEVELOPMENT FINANCING METHODS

A. Are you currently involved in any affordable housing developments in Iowa City? If yes, are you using any financial assistance? If yes, what types of finance assistance are you using?

B. Are you considering future affordable housing developments?

C. Would you consider developing housing at an affordable price in Iowa City? If so, what kind of development would it be?

D. Could the finance assistance described create an incentive for you to develop housing that you would not have otherwise been able to consider?

E. Is there another type of incentive that would be more valuable than the proposed program?

F. Would you, as a developer, be interested in participating in the provision of affordable housing backed by major employers, investors, and local lending institutions?
SURVEY OF INVESTORS – Please provide any additional comments on reverse side.

I. Your Clients

A. Approximately what fraction of your clients live in Iowa City?

B. Characterize the type of occupation and salary range for your clients.

<table>
<thead>
<tr>
<th>% of Clients</th>
<th>Salary Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td></td>
</tr>
<tr>
<td>Clerical</td>
<td></td>
</tr>
<tr>
<td>Operative/Laborer</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

C. Does your organization have programs to assist clients with housing needs? (e.g. relocation programs, rental assistance, targeted housing programs.)

D. Do your clients have difficulty finding housing in Iowa City? If yes, what problems do they encounter?


II. Your Finances

A. Does your organization's portfolio contain investments in the local community? If so, generally describe.

B. Does your organization hold certificates of deposit for terms of one or more years? If yes, in Iowa City? If no, could your organization do this?

C. Would your organization be interested in a certificate of deposit, at market rate, that is earmarked for affordable housing developments in Iowa City?

D. Would your organization be interested in a certificate of deposit with a lower than market rate return so that the difference could be donated toward new affordable housing?

III. Community Housing Needs

A. How important is it to your organization that your clients live in Iowa City?

   Low - Med - High
   1 2 3 4 5

B. How would you rate the City of Iowa City in providing housing opportunities for your clients?

   1 2 3 4 5

C. How interested would your organization be in joining banks and developers to produce new housing in Iowa City?

   1 2 3 4 5

D. What sort of housing program would address the housing needs of your clients? (Circle all that apply)

   1. Rental Assistance
   2. Down Payment Assistance
   3. Single Family Housing Construction
   4. Multi-family Housing Construction

B-5