



FLOODING IN IOWA: A Responsible Response

Fifth in a series

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Building Strong Foundations: Housing Concerns After the 2008 Storms

Long- and Short-Term Solutions Needed for Displaced Iowans

Severe storms and flooding have caused myriad problems for Iowa. Eighty-five of Iowa's 99 counties have been declared federal disaster areas.¹ Destroyed businesses, damaged infrastructure, ruined crops and muddied parks all tell the story of disaster, but perhaps none does it as personally as the loss of a home. Rebuild Iowa Housing Task Force Chair Jim Davis reported that of the 21,733 residences damaged in recent natural disasters, 9,466 homes remain uninhabitable.² As of August 7, the Governor estimated housing loss alone to amount to \$1 billion in costs.³

Numerous problems affect the housing situations of Iowa's storm victims. These problems include:

- Dislocation
- Insufficient temporary housing options
- Destruction of many rentals and ownership units that comprise permanent housing options
- Uncertainty regarding buyouts
- Inadequate resources to recover effectively

Rebuilding and Housing Needs in a 21st Century Economy

Rebuilding must give attention to those displaced, their income and resource levels, and their subsequent needs for rental housing and for homes that they can afford. Rebuilding, however, does not need to completely reproduce prior housing, but should respond to 21st century needs (see *Mixed Income and Mixed Use* and *Green Rebuilding and Sustainability*, page 5). In particular, it should follow the principles of being *targeted* and *timely* (see box, page 2), focusing upon what those affected by the flood need for short-term housing and what they need in rebuilding for more permanent housing solutions.

Rebuilding must be done quickly but deliberately. Immediate needs for temporary housing must be met expeditiously and long-term rebuilding should be well-planned and carefully considered. The Rebuild Iowa Advisory Commission's 45-Day Report to Governor Chet Culver addresses several of these issues; one of its seven "Immediate Recommendations" is to ensure that immediate housing needs will be met *before cold weather* for all Iowans who were relocated either temporarily or permanently.⁴ Further, one of the commission's "Subsequent Recommendations" calls for ensuring that adequate, affordable housing is available and that Iowans are able to rent or buy these homes.⁵ This is especially important, as we explore below, because low-income residents were particularly hard-hit by storm disasters.

These are important starting points upon which most Iowans can agree; however, more detail will be required far in advance of the 120-day report in order to ensure that these goals are met.

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Temporary Measures

Finding temporary housing for displaced Iowans is of utmost importance, as recognized by the 45-Day Report. Cold weather is fast approaching and Iowans still without shelter must be housed immediately.

Assistance Locating Temporary Housing

A vast number of rental units were lost throughout the state. When coupled with the fact that many homeowners have been temporarily or permanently displaced this places a high demand on affordable rental housing, especially in the most affected communities. To the extent that rental units exist, displaced residents need help locating those resources. The Iowa Finance Authority maintains a website called housinginiowa.org that lists available rentals and for sale houses throughout the state. This resource should be well-publicized and case managers should direct aid applicants to this resource.

FEMA Trailers and Eased Code Enforcement in Flooded Areas

Though it has a bad reputation, the ubiquitous FEMA trailer can be a good immediate and temporary solution to the problem of a lack of available housing if free from mold and hazardous chemicals. If they can be guaranteed safe, FEMA trailers can be combined with a relaxation of city codes to allow for homeowners to live in their personally owned campers and trailers on their properties. FEMA trailers are intended to be temporary; individuals and families can occupy the trailers for no more than 18 months. A similar timeline for allowing individuals to live in campers and trailers on their properties could ensure the temporary nature of that housing option.

Encourage Lenders to Allow Late Mortgage Payments

The flood has caused innumerable troubles to area homeowners; ruined credit ought not be another problem to add to the list. Fannie Mae allows lenders to work with individual disaster-affected single-family mortgage

borrowers to suspend or reduce mortgage payments for up to six months and/or to offer mortgage loan repayment plans that extend for up to 18 additional months.⁶ Banks and mortgage brokers should make generous use of this allowance when working with affected clients. Additionally, lenders should waive

GUIDING PRINCIPLES DISASTER RESPONSES MUST BE:

TIMELY

- Focused relief efforts need to occur when people are experiencing the disruptions and have immediate need for relief (recognizing the phases that families are likely to experience in dealing with loss)
- Rebuilding opportunities need to be presented when there is a readiness and capacity to take advantage of the opportunity to rebuild

TARGETED

- Rebuilding efforts need to be focused upon those impacted by the disaster, with a particular emphasis upon those for whom rebuilding will be most problematic (low-income and limited resource families)
- Rebuilding efforts need to involve those impacted in the planning and, to the extent possible, make use of their own skills and talents in rebuilding
- Rebuilding efforts need to pay attention to 21st century demands and pay particular attention to “green” strategies and to inclusion in responding to an increasingly diverse Iowa population

TRANSITIONAL

- Although rebuilding efforts will take years, most policies should be designed as temporary and not permanent ones
- Accountability for results requires that clear, time-specific goals and objectives be established for investments

late fees and avoid or delay reporting delinquent mortgages to credit bureaus. Iowa Mortgage Help provides mortgage counselors who can help owners work with their mortgage lenders. Case managers should encourage troubled borrowers to use resources such as this when facing financial difficulties as a result of the storms.

Long-Term Solutions

Hazard Mitigation Property Acquisition

FEMA's Hazard Mitigation Property Acquisition Program, commonly referred to as the buyout program, has been the resounding theme in the media of this year's tragic flooding. Homes with damages that will cost at least 50 percent of the home's value to repair are eligible for inclusion in the program. A city comes up with a Hazard Mitigation plan, of which the property acquisition plan is just one component. Once approved, the homes are bought out at pre-flood market value, with the federal government providing 75 percent of the funds, the state providing 10 percent and the remaining 15 percent raised by the municipality. Acquired land is then dedicated as open space and used for parks, community gardens, wetland restoration, or any number of similar uses.

The same procedure applies when rental units are bought out, though there is an additional level of communication with tenants to keep them informed of the application process. Tenants are given written notice at least 90 days prior to the date by which they must move. Relocation assistance is available in the form of referrals to comparable replacement housing. Occasionally moving expenses and financial assistance for replacement housing are offered.⁷

The voluntary buyout program is attractive to those affected by the flood because it provides the funds that allow the option of starting over, presumably in an area not prone to flooding. Although buyouts may shrink the tax base if owners do not use the funds to rebuild housing in the same city, they are attractive to officials because they remove residential property from flood-hazard zones, reducing the likelihood of future damaged residences.

Though a good option for some flooded residents, the buyout process is excessively long. It generally takes several months after the application is submitted and approved for funds to be dispersed to property owners. During this time, residents are in limbo. It would be foolish for residents to repair their homes if they are interested in a buyout and there is any reasonable possibility that one might occur. Similarly, it would be foolish to wait to begin repairs if a buyout is unlikely. To avoid this undue hardship, the buyout process must be streamlined.

The current deadline to file the notice of intent is September 12, 2008. It is wise to have a generous time frame in which to file the notice of intent, to allow those displaced to gather their thoughts and lives without being forced to make a rash decision. However, this notice of intent is merely the starting point. Once filed, the state evaluates all of the notices received and invites certain filers to complete formal applications for property acquisition. This is an onerous and time-consuming process; FEMA should consider creating a fast-track option to begin evaluating applications as they are submitted. Implementing a rolling buyout approval process will be difficult: There are limited funds and awards are competitive. Regardless, careful consideration to criteria might allow rolling approval for those applications that will clearly be funded. Further, as it is common for several months to pass from approval to fund distribution, the time frame between these events could be shortened considerably.

Though the purpose of the Hazard Mitigation program is to avoid future disaster damage rather than to compensate losses, the reality is that homeowners and renters in affected areas cannot make informed decisions about how to move forward until buyout determinations are made. Though it is imperative that municipalities and FEMA exercise caution and make carefully considered decisions, rebuilding and

relocation decisions depend on the determination. As such, expediency and a streamlined process are in the best interest of all involved.

Replacement Housing Construction

Many of the housing units lost to the floods were occupied by low- and moderate-income individuals and families (see IFP report, “Under Water — Not Under the Radar,” at www.iowafiscal.org). Both renters and owners lost their homes to the floods, and new units must replace the lost supply of housing. The 45-Day Report recognizes the need to produce a wide variety of housing types, including adequate, affordable housing; however, it focuses primarily on subsidy and funding mechanisms. Providing funding is important and necessary to stimulate affordable housing production, but other mechanisms to quickly produce quality housing deserve consideration.

The Iowa Finance Authority approved a \$5 million loan in August to redevelop The Roosevelt apartment building in Cedar Rapids. This public-private partnership will return 97 units to the housing market in Cedar Rapids: four studios, 59 one-bedroom units and 34 two-bedroom units. Eighty-three of the 97 units will be affordable to those earning 60 percent or below area median income. Presumably the other 14 units would rent at market rate. The plan calls for a mixed-use structure, with commercial tenants on the first floor and rentals above.⁸ The Roosevelt is a good example of a mixed-use and mixed-income approach (see below) to creating long-term replacement rental housing. Similar examples throughout the state could help to re-establish the supply of quality affordable rental units.

Further, a great deal of new single-family construction will need to be built across Iowa. IDED wisely recommends a Workforce Housing Initiative that will produce new energy-efficient houses that are modestly priced such that they are affordable to residents earning a county’s median wage. When considering how to allocate funds to housing redevelopment, policymakers should follow IDED’s lead and give priority to home ownership options that use benchmarks such as the county median wage to measure and ensure affordability to those earning modest incomes.

Additionally, residents and municipalities should consider manufactured housing. A 2004 report published by the Department of Housing and Urban Development found that:

- Manufactured housing is a low-cost housing alternative that has higher average neighborhood and structural quality ratings than rentals.
- The factors that contribute to lower structural quality and neighborhood quality are similar between manufactured and other owned housing. Similarly, factors that cause changes in those quality measures over time are similar between housing types.
- Factors affecting household turnover are similar among renters, owners of manufactured housing and owners of site-built homes.
- Manufactured housing ownership combined with land ownership generally provides a positive return on investment.⁹

Where affected homeowners are considering rebuilding on existing owned lots, manufactured housing can be a fast, inexpensive solution. In order to accommodate this replacement housing option, some municipalities may have to reconsider their zoning regulations. Though not as likely to provide a positive return on investment, manufactured-home communities on rented land could, unlike rentals, provide residents with an asset to dispose of when their housing needs change.

Finally, the state should consider implementing a Disaster Housing Tax Credit. The 45-Day Report recommends using the federal Low-Income Housing Tax Credit (LIHTC) program for eligible projects in disaster-affected areas. Further, on August 28, 2008, Governor Culver announced a Disaster Recovery Set-Aside Program as part of the federal Low-Income Housing Tax Credit program’s administration in

Iowa.¹⁰ Prioritizing affordable housing construction in Iowa's affected counties is an important first step; however, it is not enough. The Disaster Recovery Set-Aside will not yield any additional affordable housing for the state beyond what would have already occurred; rather, it will simply divert already existing tax credits to seven affected counties. In order to replenish the affordable housing stock, the state should also implement a state-funded Disaster Housing Tax Credit. If criteria are sufficiently tailored, it can ensure that housing receiving the tax credit meet acceptable standards for quality, energy-efficiency, sustainability and accessibility.

If modeled after the LIHTC, a Disaster Housing Tax Credit program could provide an incentive for developers to quickly begin construction on replacement housing. In order to fulfill the flood recovery principles of timely, targeted and transitional relief efforts, a number of specific elements should be included in any Disaster Housing Tax Credit. First, the credit must have a finite time period. The LIHTC provides a 10-year credit in exchange for 15 years of compliance with income requirements. Similarly, a Disaster Housing Tax Credit should be limited to a temporary credit for several years in exchange for a set number of years of compliance with income and affordability requirements. The credit must also be targeted; it should be limited to flooded counties. Finally, only housing under construction by a specified date in the near future should be eligible for the credit. This would ensure that the credit was being used for flood recovery efforts and would encourage developers to begin rebuilding expediently. Providing additional state level tax credits for affordable housing construction will further incent the construction of affordable replacement housing in the state.

General Considerations

The 45-Day Report gets quite a lot right, but also emphasizes the use of the ineffective and ineffective Enterprise Zone program, as noted below. Further, it is missing some important elements. The 120-Day Report should include several other general considerations regarding the rebuilding process, in the context of a 21st century economy.

Mixed Income and Mixed Use

Entire neighborhoods have been destroyed across Iowa. Rather than rebuilding economically segregated communities, rebuilding plans should include mixed-income developments. Similarly, where entire neighborhoods are being rebuilt from scratch, communities should consider creating mixed-use neighborhoods that integrate residential with retail, banks, parks, and schools. Desegregating income and uses provides convenience to residents, decreases dependence on automobiles, and builds social capital within and between neighborhoods.

Flooded communities, and Iowa in general, faced the problem of a lack of affordable housing even before the flood. The storm damage has only made this problem worse. In Cedar Rapids, neighborhoods with affordable owner-occupied homes and rental units were especially hard hit. In the flooded areas median owner-occupied housing values were about \$67,364 as compared to the countywide median value of \$92,900. Rental housing made up 44 percent of all housing units in the flooded neighborhoods of Cedar Rapids, while rental housing made up only 27 percent of the total county housing units. Since flooded areas had an overrepresentation of lower-income families, the need for replacement affordable housing for these families is high.

Green Rebuilding and Sustainability

The 45-Day Report recognizes the importance of incenting the market to produce sustainable replacement housing. Rebuilding houses and apartment buildings according to green building standards will provide long-term financial and environmental benefits; Iowans should follow green building standards when rebuilding houses and apartment buildings. Green design balances out higher initial costs by cutting heating and energy costs over the long term, providing net cost savings. The Iowa Department of Economic Development (IDED) recently promulgated the "Green Streets Criteria" that

apply to the IDED Housing Fund, among other programs. The purpose of IDED's Housing Fund is to expand the supply of quality affordable housing opportunities for low-income Iowans. The fund contains Community Development Block Grant and HOME Investment Partnerships Program funds. The Green Streets Criteria include mandatory compliance with such strategies as efficient interior lighting, smart site location, and erosion and sedimentation controls. In addition to the mandatory elements, the program suggests numerous other green strategies such as using renewable energy sources. Property owners can use the criteria and its strategies as a guide in making cost-effective, health-conscious and environmentally responsible rebuilding decisions.

Where new construction of rental and single-family units is required, sustainability must be a priority. Infill development — building on vacant parcels within existing development — and adaptive reuse — the renovation of buildings previously used for another purpose, such as old warehouses — should be encouraged where possible. When infill is not possible, redevelopment should occur near commercial and employment centers or within close access to transit. This allows for reduced reliance on the automobile, less pollution and preservation of open spaces, farms and natural habitats. Importantly, infill development and adaptive reuse provide greater housing choice to members of affected communities, who might be able to rebuild near their former homes, but safely out of floodplains.

Enterprise Zones

The commission recommends ensuring projects in disaster-damaged areas are eligible for the Enterprise Zone Program. The program offers tax breaks to firms in economically distressed cities and counties in return for new investment and new employment, specifically job creation and housing development, in the designated zone. Unfortunately, the program is not necessarily accomplishing its goals. An April 2008 report by the Iowa Fiscal Partnership (“EZ Money: Assessing Iowa's Enterprise Zone Program” at www.iowafiscal.org) found that businesses received nearly \$300 million in tax credits between 2003 and 2007 without a verifiable corresponding increase in employment. Further, such a tax credit is not sufficiently targeted. It provides the tax credit to any business locating in an affected community that meets the criteria; it is not targeted to those affected by the flood or those providing relief from the floods. Further, using the program is not appropriately transitional unless a finite time period is placed on the eligibility. Rather than expanding enterprise zones, it would be better to deal with housing relief through one specific, targeted and transitional program. A state Disaster Housing Tax Credit, described above, could fill that need.

Available Assistance

Assistance is available from a variety of sources, though FEMA grants and Small Business Administration (SBA) loans provide most of the available disaster assistance. FEMA provides two types of assistance: Housing Assistance and Other Needs Assistance. Housing Assistance (HA) can be used for temporary housing and repairs or replacement of the physical structure. Other Needs Assistance (ONA) can be used for necessary needs caused by the disaster such as medical costs, moving expenses, clothing, household items, tools required for employment, and damaged vehicle costs. The total benefit available from FEMA to residents is \$28,800.

The SBA provides loans to homeowners and renters. The maximum loan is \$240,000 of which there is a \$200,000 maximum for real estate and \$40,000 maximum for personal property. SBA loans are limited to losses that have been verified and are uninsured.¹¹ Further, when in an area designated as a special flood hazard, SBA grants cannot be dispersed until the property owner has flood insurance.

As of August 5, 2008, FEMA had dispersed housing assistance to 28,713 residents totaling \$104,519,692 with an average award of \$5,187. Additionally, FEMA had awarded ONA to 7,014 residents. The average ONA award was \$1,889 for a total of \$13,168,472.¹²

Counties declared disaster areas by Governor Culver but not by President Bush are eligible only for the Iowa Disaster Reimbursement Grant Program (IDRGP). This program is much less generous than the federal program by design, and provides a maximum \$3,319 grant. IDRGP is limited to Iowans earning at or below 130 percent of the poverty level.

Further, the U.S. Department of Agriculture (USDA) Rural Development (RD) Program’s Single-Family Housing Loan and Grant Programs offer funding assistance for the repair, rehabilitation and purchase of homes. USDA also offers financing assistance in the form of expedited lender approval, and access to Guaranteed Underwriting Services for the Single-Family Program and streamlined loan processing for the Direct Housing Program. Finally, USDA is working with individuals in need of payment assistance on their existing single- and multi-family loans.¹³

Assistance Details

The following table lists the financial assistance available from FEMA, SBA and the IDRGP.

Assisting Agency	Program	Type of Assistance	Maximum Benefit	Eligible Recipient
FEMA	HA/ONA	Grant	\$28,800	Owner or Renter
IDRGP	Financial Assistance	Grant	\$3,319	Owner or Renter 130% poverty or below
SBA	Real Estate	Loan	\$200,000	Owner
SBA	Personal Property	Loan	\$40,000	Owner or Renter

While renters are eligible for less financial assistance than property owners, as they likely have lost little real property from the flood, they did suffer considerable personal property and other losses that need to be addressed. Unfortunately, they are beholden to the decisions of the owners of real property as to whether to rebuild. Owners of rental units should be encouraged to repair or rebuild their properties to ensure an adequate supply of affordable rentals.

Conclusion

The housing needs of our state’s population are a major concern for Iowans coping with the aftermath of the storms. Both immediate solutions and long-term planning are necessary to provide for the range of needs caused by the disasters. Namely, stakeholders should:

- Encourage mixed income and mixed-use replacement housing that incorporates sustainable building principles;
- Provide assistance locating temporary housing;
- Allow flexibility with late mortgage payments from flood victims;
- Use FEMA trailers to the extent necessary and allow flood victims to live in personal campers and trailers on their owned lots to meet immediate housing needs;
- Advocate for an expedited FEMA buyout process;
- Encourage and incent the rebuilding of affordable rental and ownership housing by tying expanded funding to specific affordability requirements;
- Consider using manufactured housing; and
- Implement a Disaster Housing Tax Credit.

Considering and implementing these policies will offer solutions that provide all residents with shelter from the storm.

Endnotes

- ¹ Rebuild Iowa Advisory Commission 45-Day Report to Governor Chet Culver. September 2008; <http://flood2008.iowa.gov/index.php?topic=disaster> .
- ² <http://www.gazetteonline.com/apps/pbcs.dll/article?AID=/20080731/NEWS/280573634>
- ³ <http://www.gazetteonline.com/apps/pbcs.dll/article?AID=/20080806/NEWS/780324442&SearchID=73326248114264>
- ⁴ Rebuild Iowa Advisory Commission 45-Day Report to Governor Chet Culver. September 2008.
- ⁵ Ibid.
- ⁶ <http://www.fanniemae.com/newsreleases/2008/4398.jhtml?p=Media&s=News+Releases>
- ⁷ Property Acquisition Toolkit, T_II_3 Sample Form Letter.
- ⁸ http://www.governor.iowa.gov/news/2008/08/6_2.php
- ⁹ Thomas P. Boehm and Alan Schlottmann. U.S. Department of Housing and Urban Development. Office of Policy Development & Research. *Is Manufactured Housing a Good Alternative for Low-Income Families? Evidence from the American Housing Survey*. 2004.
- ¹⁰ http://www.governor.iowa.gov/news/2008/08/28_3.php
- ¹¹ FEMA. Help After a Disaster: Applicant's Guide to the Individuals and Households Program 13-14.
- ¹² The Flood of 2008: A Summary of DHS Action. July 16, 2008.
- ¹³ http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2008/06/0163.xml

Iowa Fiscal Partnership

The Iowa Fiscal Partnership is a joint initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. IFP reports are available on the web at <http://www.iowafiscal.org>.

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