

Funding Housing for Homeless Iowans by Allocating Airbnb Taxes

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THESIS

To ensure funding for homelessness organizations and their construction of housing for the homeless, the Iowa Legislature should redirect funds from tax revenue on Airbnb rentals across the state.

BACKGROUND & ANALYSIS

In 2017, 2,756 people were homeless in Iowa.^{1,2} Reliable housing has been cited as the most important factor in helping homeless people return to a normal life.^{1,2,3,4} But the line to occupy affordable homes is long, and the homeless are at the back of it. With low vacancy rates in Iowa, landlords vet new tenants primarily by using information technology, such as credit score checkers, that tend to exclude the homeless by default.^{1,5}

To provide the invaluable resource of housing and promote homelessness recovery, homelessness organizations have created their own housing market by constructing stand-alone facilities.^{1,4,6,7} Crissy Canganelli, executive director of Iowa City's Shelter House, says that the organization's "overarching philosophy is to get people housed and then connect them to the greater community."¹ This approach is called a housing-first policy—one that focuses on providing stabilizing housing before delivering or mandating sobriety, health, employment, or other services. The average per-person public cost to care for a chronically homeless individual is \$140,000.⁸ With a housing-first policy, this number drops to \$13,000–\$25,000 per year, allowing more than \$100,000 of tax money per individual to go to other state uses.^{8,9} Implementing a housing-first policy in Iowa would ultimately cost only 1/5 the amount that the state currently pays to help each homeless individual.^{1,5,6,8,9,10} And it would make a significant dent in the state's homelessness problem: In Utah, chronic homelessness decreased by nearly 91 percent following the adoption of a housing-first policy, with a significant reduction in costs per person.¹¹

However, creating or securing housing for the homeless has often been obstructed and underfunded. In 2010, Shelter House fought four of years of burdensome litigation connected to the legality of expanding their construction projects on public land that made its way to the Iowa Supreme Court merely to have the court uphold the legislation.⁸ Then, in 2018, Governor Kim Reynolds introduced tax cuts that reduced the Iowa Department of Human Services' budget by \$9.9 million, which threatened to slash Shelter House's operating budget by roughly 20 percent.^{8,12} It is clear that housing services for the homeless need reliable and dedicated financial sources.

KEY FACTS

- The average per-person public cost to care for a chronically homeless individual is \$140,000.⁸ With a housing-first policy, this number drops to \$13,000–\$25,000 per year, allowing more than \$100,000 of tax money per individual to go to other state uses.^{8,9}
- On average, individuals who have lived in stable housing for at least 24 months sought help from 1.75 more substance-abuse services providers, spent 55 percent less time on the streets, and reported greater abilities to meet their needs.^{6,10}
- Participants in housing-first programs reported a 67 percent decrease in suicidal thoughts, and suicide rates dropped by 55 percent.¹³
- After finding supportive housing, all individuals in Housing First experienced a 55 percent increase in employment compared to those without reliable housing.⁴

TALKING POINTS

- Reliable housing has been cited as the most important factor in helping homeless people return to a normal life.
- After tax cuts that reduced the Iowa Department of Human Services' budget by \$9.9 million, it is clear that dedicated financial sources are needed to provide housing for the homeless.
- Airbnb collected nearly \$900,000 in hotel/motel taxes for the state in one year, and this non-allocated money should be distributed to organizations that provide housing for the state's homeless population.

THE POLICY IDEA

In 2017, Airbnb and the state of Iowa agreed to a tax structure in which Airbnb collects hotel/motel tax that is broadly "distributed to the appropriate jurisdictions on a quarterly basis."¹⁴ To effectively deal with the homelessness crisis in Iowa, this money should be allocated to organizations that provide housing and quality care for homeless people.

POLICY ANALYSIS

Because of partisanship and a lack of clear policy initiatives specifically written for the homelessness crisis, financial support for homelessness mitigation has been a struggle to secure. Homeless shelters and organizations don't receive enough funding to run initiatives that adequately help this population. Under budget constraints, shelters are experiencing a slow and inefficient shift to housing-first policies.

In 2017, the hospitality-services company Airbnb created an agreement with the state of Iowa in which Airbnb would require hotel/motel taxes to be included in the prices of Airbnb rentals. In the first year of this plan, the state received \$900,000, and the number will only increase.¹⁵ The Airbnb business model is growing in Iowa; the company cited nearly 100,000 guest arrivals in 2018, a fivefold increase from just 20,000 guests in 2016, and Airbnb hosts earned \$9.3 million.^{16,17} Subsidizing a permanent fund for housing with hotel/motel tax money collected by Airbnb would mean that shelters could focus on properly allocating money rather than having to find sources of funding.¹ Investing the existing Airbnb tax revenues in homelessness relief would provide the financial assistance needed to expand housing-first programs, thus allowing the state to effectively aid the homeless across Iowa.

It's important to note that this policy does not advocate directly taxing Iowa citizens, so it would experience less of a backlash from constituents who disagree with their money aiding welfare programs. Legislating for a percentage of the revenue collected from taxes on Airbnb rentals would help guarantee that programs creating housing for the homeless are funded.

NEXT STEPS

We will be working closely with homelessness facilities and community programs, such as Iowa City Shelter House, which is currently collaborating with the Iowa City government to establish an insurance pool for renters,¹ to garner support for the proposal. Working with the Iowa Council on Homelessness would also be crucial in ensuring that this proposal comes to fruition. We will investigate the possibility of holding an information session or panel to share with the public the details of our proposal and gain the support of constituents and, consequently, government representatives. We will contact the mayor of Iowa City, Jim Throgmorton, to garner his support for our policy and discuss with him the logistics of lobbying for legislative action. Finally, we will contact members on relevant committees within the Iowa Legislature to gauge support for the proposal.

ENDNOTES

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