

Rental Housing New Construction

Purpose

To create more affordable housing, while promoting community revitalization.

Eligible Recipients/Project Area

Eligible applicants are units of general local government who will be awarded funds from the CDBG housing program as a result of the 2019 flooding natural disaster defined by the FEMA Declaration FEMA-4421-DR dated March 12, 2019 for Iowa Severe Storms and Flooding (March 12, 2019 and continuing).

Eligible recipients of CDBG-DR 2019 funding for housing projects are cities or entities identified in Iowa's CDBG-DR 2019 Action Plan.

- 80% of allocated funds are limited to MID Counties: Mills, Fremont and Harrison County, as such only these counties and cities located within are eligible for this program.
- 20% remaining funds will be available to benefit other counties presidentially declared and FEMA designated for Public Assistance and/or Individual Assistance under Disaster Declaration DR-4421.

Round 1 Applications: The IEDA will open an initial competitive round for \$5,000,000 in rental housing new constitution. This first round will allow the state to establish a competitive review process, gauge the capacity of the region for new rental housing and support local housing markets. Additional funds may be awarded through this round if the demand of quality applications exceeds this amount. Otherwise, future rounds will be established, at no less than one round per year until the funds in this program are fully expended.

Round 2 Applications: The IEDA will open a second competitive round of new rental production Housing. IEDA's 2019 CDBG-DR Action Plan allowed \$11,120,069 for the production of new rental housing. In Round 1, IEDA awarded: \$9,610,135, leaving \$1,509,936 remaining for this competitive round. Depending on the quality and quantity of applications, IEDA in coordination with HUD can shift program funding to accommodate requests beyond the available funding. Additionally, \$10,000,000 is available for Public Infrastructure needs in support of these new housing units. If request do not expend all available funding, future rounds will be established at no less than one round per year until the funds in this program are fully expended.

Additional changes have been made to the Green Streets Plus Criteria and increased funding requests for this round. Public infrastructure requests in support of new housing have been updated and will need to provide documentation.

Application Workshop: July 2021

Application Deadline: 4:00pm Thursday, September 30th 2021

Rental Housing New Construction:

CDBG-DR funds are eligible to assist new construction activities as stated by the waiver providing alternative requirements in the Federal Register.

- “Alternative requirements are adopted to the extent of necessary to permit new housing construction, and to require construction standards on structures constructed with CDBG-DR funds as part of activities eligible under 42 U.S.C 5305(a.)”
- IEDA will make awards to subrecipient cities for the construction of new housing. Cities will enter into development agreements with developers who will construct the new housing.
- A Developer is a for-profit or private nonprofit individual or entity that the grantee provides CDBG-DR assistance to for the purpose of constructing new housing in connection with the redevelopment of demolished or vacant properties. Local government agencies and Local Housing Authorities are not developers.

Eligible Activity

- New construction of rental housing units includes the construction of single-family houses, duplexes, and multi family structures on vacant lots or the conversion of existing spaces into new housing within existing neighborhoods, and the development of new neighborhoods for residential purposes.
- The State will make awards based on project applications and is anticipating the creation of approximately 300 new housing units over the life of both the rental and owner housing programs.
- IEDA will make awards to projects that offer a variety of housing sizes in order to best serve families with children, disabled persons and seniors.

National Objective

This program is designed to meet HUD’s National Objective for the benefit of persons of low and moderate income (LMI). All units must comply with IEDA stipulated Affordability Period for New Construction, where 51% of tenants will be income verified at or below 80% AMI, and all rents will be capped at the applicable 65% HOME Rates.

Terms of Affordability, enforced by the filing of covenants and restrictions lien on the property, will be applied as follows:

1. 5-years for single family homes or multi-family of 4 units or less
2. 20-years for multi-family developments of 5 units or more

Award

The CDBG-DR award will be based on the applicant’s requested amount. Awards must include a per unit housing incentive, but may include additional line-item requests such as:

- Public infrastructure in support of housing*
- cost of green plus construction*
- increased costs of compliance
- project delivery

All awards will be substantiated by application support documentation and will be evaluated for cost reasonableness by IEDA prior to award.

Project Delivery

CDBG-DR will provide up to \$5,000 per housing unit proposed for construction for project delivery. The COG or qualified consultant will provide a lump sum project delivery estimate in the application for CDBG-DR funding. Project Delivery must be substantiated by documentation of costs incurred and cannot be duplicated by another federal funding source. Project Delivery may include but is not limited to:

- Environmental Review Record documentation, including any required publication costs
- Lien Development and Filing

- Tenant Income Verification
- Federal Labor Standards Compliance
- Financing/Interest incurred for project implementation

CDBG-DR 2019 Application Requirements:

Housing Program General Information:

This program is designed to allow cities to work with local developers to design plans to meet local housing needs. Developers will work with the city and their selected grant administrator (COG or IEDA approved qualified consultant) to develop an application and apply to IEDA through iowagrants.gov.

Developers through the local municipality can apply for:

- \$75,000 per housing unit award for construction reimbursement with CDBG-DR
 - Multi-Family New Construction
 - Awarded as a non-receding forgivable loan in the amount of the award for the affordability period noted above
 - 10% retainage held until LMI qualified tenants occupy 51% of units
- Developer must own the building lots/sites or can demonstrate site control
- Builders and developers selected for participation under these proposals should offer a variety of types and styles of housing, various sizes (square footage) and units with various number of bedrooms and bathrooms; all within the project cost limitation, and all units constructed with equal quality of design and materials.
- 40-unit maximum number of units per application (\$3,000,000 max housing award per application).
- Projects of 8 units or more will be required to comply with federal labor standards and Davis Bacon Prevailing wages.
- All units shall be designed and constructed in accordance with all locally adopted and enforced building codes and standards. In the absence of any locally adopted and enforced building codes and standards, the requirements of the current Iowa State Building Code shall apply.
- All units upon completion must have access and connection to municipal utilities including water and sewer.
 - No project dependent on wells and/or septic will be eligible
- Public Infrastructure in support of new housing can also be included in this financial investment in the construction of new housing units.
 - Infrastructure in support of new housing can only be claimed when used in support of public infrastructure. The public infrastructure must be owned and maintained by the local municipality through either the transfer of ownership or other legal agreement.
 - Public infrastructure must be accessible to the general public and serve a delineated service area. No utilities on private property will be considered public infrastructure.
 - Examples of public infrastructure include public/local transportation systems and streets, access roads, bridges, water, sewer, stormwater, sidewalks, street curbs and gutters, and electric and broadband systems.
- For all housing applications that require the construction of roads, utility access including broadband where practicable, stormwater management, etc. the developer will provide a line-item request for such funding, based on actual anticipated costs of construction, that are not otherwise available through other funds (TIF, DOT, City Budget, etc.). All public infrastructure will be subject to federal labor standards and

Davis Bacon Prevailing wage compliance; and construction contracts must be separated from housing contracts.

- All homes constructed under this program will be required to comply with the baseline requirements of the Iowa Green Streets program.
- Developers will be allowed to request an increased award for voluntarily complying with Green Streets Plus criteria – this line-item request will be based on the cost differential between baseline and Plus standards and the application.
- All properties must be located outside of the 100-year floodplain and priority will be given to projects located outside of the 500-year floodplain.
- All units must be marketed to citizens directly impacted by the 2019 Disaster Event for 4 months, before being offered to an eligible member of the general public.
- All new housing projects will be required to participate in a project specific IEDA design consultation prior to applying for CDBG-DR construction funding. This will ensure that proper stormwater management and green building practices are incorporated into new housing developments.
- Any conversion project, where housing units will be created within an existing structure, must demonstrate that the space is not currently used for housing, and has not been housing in the recent past. No housing rehabilitation will be considered eligible, only the conversion of space into new, additional, housing units.
- Any project proposing mixed use (commercial and residential) must coordinate with IEDA regarding federal compliance, construction separation and labor standards. No CDBG-DR funds can be used for any portion of commercial development.
- No basement or first floor storefront units are allowed under this program. If first floor accessible units are included in the project, they must not occupy an otherwise commercial space, and must have a separate entrance from any commercial space.
- Prior to the Grantee's obligation of funds for construction, the Grantee will demonstrate that the engineering co-design for a project is feasible, prior to obligation of funds by the Grantee for construction.
- The owner and/or developer/builder of the newly constructed housing shall obtain their own construction financing and insurance sufficient for the entire project budget.
- All projects are required to be Cost Reasonable. IEDA will determine project cost reasonableness through the competitive application comparison, review and selection process. As such application budgets must be thorough and accurate for evaluation.

Required Application Documentation:

- Only complete applications will be reviewed, scored, and ranked. Complete applications will include:
 - All fields in lowagrants.gov application form completed
 - Site Plan – clearly showing project location (if multiple sites, each site must be clearly labeled)
 - Project Design Documents
 - Documentation of site control – either Assessor's page showing ownership or executed purchase option
 - Current site zoning and an outline of any needed zoning changes with timeline.
 - Resolution of Support from the City Requesting CDBG-DR funding
 - Developer Assurance signed by the Developer and City
 - Draft development agreement between City and developer

- DOB Application Certification – Signed by developer
- Support documentation for project budget
- Support documentation for Sources and Uses of funds equal to the project budget
- Completed Green Streets Checklist for baseline standards compliance
- Documentation of Request for increased infrastructure funding
- Documentation of Request for increased funds for federal compliance

Post- Award Considerations:

Any project funded through this program will be required to comply with all federal and state requirements. By Signing the Application Certification, the developer acknowledges these requirements; furthermore, by passing a resolution of support and executing a contract with IEDA, the applicant City assumes the responsibility of enforcing these requirements as the HUD designated Responsible Entity in accordance with 24 CFR 58. Accordingly, the following steps will be required post award.

- IEDA will enter into a contract with the City for the awarded amount of funds for the housing project.
- The City will execute Development Agreement with the developer
- City will enter into a contract with COG or IEDA approved qualified consultant for Project Delivery Costs
- Release of Funds –give a general timeline with required consultation and publication for this process.
 - Before the release of funds, an environmental review will take place to ensure compliance with all federal and state laws.
 - An environmental review is an analysis of impacts of a project on the surrounding environment and environment on the project. An environmental review:
 - Ensures HUD-funded projects provide decent, safe, and sanitary housing
 - Demonstrates compliance with up to 17 federal environmental laws and authorities
 - Is a public document that encourages public participation
 - Is coordinated by the municipality and grant administrator and can use another federal agencies NEPA documentation for compliance as applicable.
 - Timeline:
 1. Submission of completed checklist to IowaGrants
 2. Approximately 4-6 months for completion of review, but can be much longer depending on site conditions
 3. Review must be published locally
 4. Required public comment period up to 30-days
 - NO choice limiting action – until review is complete and applicant have received an approved Request for Release of Funds from the State. Neither applicant nor partners are allowed to commit or spend HUD or non-HUD funds on physical or choice-limiting activities. Including activities such as:
 - Purchase of property
 - Bidding
 - Entering a contract
 - Construction

- Prior to the authorization of the first construction payment, each property receiving CDBG-DR funds will be required to enter into a forgivable loan/mortgage and agreement for covenants and restrictions in the form of a recorded lien in order to ensure sufficient insurance and project compliance from the onset of construction (sample of lien available upon request from IEDA). The term of affordability begins upon the issuance of the Certificate of Occupancy, or the date of the first leased unit, whichever is earlier. For scattered sites, each individual site will have a recorded lien and forgivable loan on each parcel for the amount of the actual construction costs allocated by CDBG-DR funds for that site, ensuring that the total of all scattered sites forgivable loans match the total CDBG funds award amount for the project.
- The CDBG-DR funds forgivable loan may be recorded in junior position to the principal conventional financing/loan (if applicable) but must be recorded in senior position to any and all other funding in the project.
- *Contractor Clearance*
 - All work for construction must be recorded in an executed contract.
 - All contractors must be registered to work in the State of Iowa.
 - All contractors and contract data must be submitted for Contractor Clearance in IowaGrants.
- *Duplication of Benefits*
 - NO duplication of benefits (DOB) will be allowed
 - Recipient in coordination with the COG or qualified consultant will complete all necessary DOB documentation in accordance with the DOB Policy Requirements noted in the 2019 Flooding CDBG-DR Policies and Procedures Manual.
- *Wage Rates and Davis Bacon Compliance*
 - All laborers employed by contractors or subcontractors in the performance of construction work financed in whole or in part by this program shall be paid wages at rates not less than those on similar construction in the locality, including all infrastructure and residential construction for 8 or more units in a single project application.
 - Applications for 7 units or fewer of residential construction only are exempt from this compliance requirement.
- *Section 3*
 - All projects are required to comply with 24 CFR Part 75, also known as Section 3. This includes the tracking and documenting of all labor hours on projects receiving \$200,000 or more of CDBG-DR, including for projects not subject to Davis Bacon, or qualitative efforts undertaken to demonstrate compliance with Section 3. All labor hours and qualitative efforts will be documented. See IEDA's new Section 3 guidance.
- *Insurance Requirements*
 - Federal Regulation requires FEMA National Flood Insurance for all federally funded projects located within a Specific Flood Hazard Area – 100-year floodplain.
 - The State of Iowa is requiring FEMA National Flood Insurance for and CDBG-DR funded projects located within the 500-year floodplain.
 - Insurance will be obtained before work begins and must be maintained at minimum throughout the remaining project and closeout.
- *Claim documentation and Reimbursement*

- The Iowa Economic Development Authority (IEDA) will reimburse funds for actual costs incurred up to the CDBG amount stated in IowaGrants.
 - Claims for reimbursement will be submitted by the recipient via the online www.iowagrants.gov system
 - The recipient shall maintain a file of all claim supporting documentation including claim documents, invoices, payments, and approvals.
 - CDBG-DR financial investment award can be drawn down mid-construction with supporting documentation of costs incurred.
 - Final draw down of reimbursement will only be granted once the “Demographic Data Collection” form/report is submitted through IowaGrants.
- *Procurement*
- Recipients shall follow the federal procurement requirements included in the 2019 CDBG DR Policies and Procedures Manual, and in 2 CFR 200, the IEDA CDBG Management Guide online at <http://www.iowaeconomicdevelopment.com/Community/CDBG>, and the instructions for procurement provided by IEDA online at <http://www.iowaeconomicdevelopment.com/userdocs/documents/ieda/InstructionsProcurementServicesCDBGprojects.pdf>.
 - Developers do not need to procure their contractors or sub-contractors in accordance with HUD Policy “Guidance on the Procurement of Developers and Subrecipients, dated June 2012”
 - Any procurement required by the project (procurement by the Recipient or non-Developer procurement) must comply with the Procurement Policy included in the 2019 Flooding CDBG-DR Policies and Procedures Manual.
 - Any construction contracts procured through this award must comply with the Bonding Requirements noted in the will Procurement Policy included in the 2019 Flooding CDBG-DR Policies and Procedures Manual.
 - All projects are required to be Cost Reasonable. IEDA will determine project cost reasonableness through the competitive application comparison, review and selection process. As such application budgets must be thorough and accurate for evaluation.
- *Monitoring*
- Applicants shall be provided adequate and timely information to enable them to be meaningfully involved in important decisions at the various stages of the program, including at least
 - The determination of needs
 - The review of the proposed activities
 - The review of past program performance
 - Upon expenditure of at least 50 percent of the CDBG-DR funds by the recipient, a monitoring visit to the project area will be scheduled.
 - The IEDA project manager (project manager) will email the recipient and grant administrator to set up the monitoring visit.
 - Monitoring visit date information and forms will be completed in www.iowagrants.gov;
 - The monitoring visit report will be uploaded to www.iowagrants.gov and sent to the recipient and grant administrator.
 - Project manager will instruct grant administrators to upload any additional information identified as needed during monitoring visit.

- Project manager will enter into www.iowagrants.gov the date requested additional information is received and approved
- *Quarterly Reports*
 - Recipient will report project progress at least quarterly via www.iowagrants.gov to IEDA outlining progress made toward milestones outlined in the recipient's contract with IEDA.
 - Progress on the following deliverables will be reported
 - Percentage of work completed.
 - Actual costs incurred up to date of quarterly report submission
 - Estimate timeline remaining to complete construction
 - Note: Reporting is necessary as it is used to document progress toward achievement of outcome values identified in IEDA's CDBG-DR funded proposal
- *Retainage*
 - 10% retainage until 100% of invoices with all costs claimed are submitted to IowaGrants and reviewed.
 - Recipient, in coordination with COG will reduce the [iowagrants.gov](http://www.iowagrants.gov) requested amount by the retainage, so that the claim amount is paid in full.
 - Once closeout/compliance is completed the recipient will claim the final 10% to be paid by IEDA.
- *Leasing Policy*
 - All rental properties must establish and enforce a Leasing Policy. This policy must be in place prior to initial tenant occupancy and will:
 - Demonstrate a process for application, income verification and signed lease agreements,
 - Demonstrate a process for annual recertification of income,
 - Demonstrate a process for out of ratio situations (If an LMI tenant is over income at recertification, they are not evicted or relocated. Rather the owner/manager must state in the policy that the next available unit will be leased to an LMI occupant until in compliance with period of affordability ratio requirements.
 - Income verification must be completed in accordance with 24 CFR 5.609 (Part 5). Income verification is valid for twelve months from date of verification.
 - Maximum (gross) rent limits on the CDBG-DR affordable rental units shall not exceed the most current HOME Program 65% rent limits (by bedroom size). This requires the owner to subtract out any essential tenant paid utilities from the maximum rent charged to that rent + essential utilities = at or below the HOME 65% rent limit.
- *Maintenance Policy*
 - The recipient will maintain safety procedures designated by federal and state law for construction of new buildings.
 - Recipients will develop maintenance agreement with tenants to keep project property in good repair and condition, ordinary wear and tear excepted, and shall not suffer or commit waste or damage upon the project property.
- *4 Month Flood Victim Period*
 - All units must be marketed to citizens directly impacted by the 2019 floods for 4 months prior to being offered to an eligible member of the general public. When beginning marketing, the grant administrator must be notified via email

or writing of when the 4-month marketing window will begin. The grant administrator will also receive a sample of marketing materials that include the following language: "Those who were affected by the spring 2019 floods will receive the first opportunity to rent the units". Persons must have been directly impacted by DR 4421, DR 4420, or DR 4435 to be eligible to begin the leasing process on a home during the 4-month marketing period.

- During the 4-month marketing period, persons interested in units being built/built will reach out to the grant administrator and complete a form expressing their interest and self-certifying how they were directly impacted by the spring 2019 floods. Only those who self-certify direct disaster impact will receive income verification documentation from the grant administrator during the 4-month period. Those who successfully complete income verification and are income verified will be put on a list and contacted for leasing opportunities. All of those who certify direct disaster impact will be contacted before the grant administrator may contact eligible members of the general public.
- *Closeout Documents*
- Green Streets sign off form turned into IowaGrants
 - Site Inspection for Green Streets Criteria will be conducted
 - Demographic Collection form turned into IowaGrants
 - Includes Income Verification of tenants
 - All documentation must be retained by the recipient until notified by IEDA that the State's Grant with HUD has been closed for 3 years.