

State of Iowa –2019 CDBG-DR Action Plan, Amendment 4, Non-Substantial

The State of Iowa is proposing making two technical changes to the Construction of New Housing with Downpayment Assistance for Homeowners and one technical change to the Construction of Rental Housing programs funded through the State’s 2019 CDBG-DR grant.

Change 1: Allow for Increases in the Housing Incentive

As the cost of building materials has surged since Round 1 new housing projects submitted applications in January 2021 and since Round 2 new housing projects submitted applications in September 2021, the State has learned that the development of these new housing units is increasingly pressured by the nation’s record inflation rates and the supply chain’s ongoing recovery from the COVID-19 pandemic.

As a result, the State is proposing to change the language in the New Housing Production section of the Action Plan to allow for the State to award increases in the housing incentive per unit.

See the current text below:

Program Guidelines will be fully developed for this New Housing Program, but will include:

- \$75,000 per housing unit award for construction reimbursement with CDBG-DR.
 - Single Family Construction - Awarded as a Grant, with 10% retainage held until LMI qualified buyer occupies the home.
 - Multi-Family New Construction – Awarded as a Non-Receding Forgivable Loan in the amount of the award for the Affordability Period, with 10% retainage held until LMI qualified tenants occupy 51% of units.
- Developer chooses to construct housing units for Sale or for Rent.
- Developer must own the building lots or can demonstrate site control.
- 40-unit maximum number of units per application.
- All units must have access and connection to municipal utilities including water and sewer, no project dependent on wells and/or septic will be eligible.
- 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.
- CDBG-DR Financial investment award can be drawn down mid-construction with supporting documentation of costs incurred.
- 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.

This text would be revised to state:

Program Guidelines will be fully developed for this New Housing Program, but will include:

- \$100,000 per housing unit for single-family construction and \$75,000 per housing unit for rental construction award for construction reimbursement with CDBG-DR.
 - Single Family Construction - Awarded as a Grant, with 10% retainage held until LMI qualified buyer occupies the home.
 - Multi-Family New Construction – Awarded as a Non-Receding Forgivable Loan in the amount of the award for the Affordability Period, with 10% retainage held until LMI qualified tenants occupy 51% of units.
 - The State reserves the ability to increase the housing incentive on a case-by-case basis to address cost concerns post award.
- Developer chooses to construct housing units for Sale or for Rent.
- Developer must own the building lots or can demonstrate site control.
- 40-unit maximum number of units per application.
- All units must have access and connection to municipal utilities including water and sewer, no project dependent on wells and/or septic will be eligible.
- 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.
- CDBG-DR Financial investment award can be drawn down mid-construction with supporting documentation of costs incurred.

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Change 2: Allow for Increases in the Maximum Sale Price During the Affordability Period

As the housing market has surged in value since the approval of the action plan in December 2020, the State has heard concerns about the proposed sale price of the 2019 CDBG-DR funded homes after initial occupancy and during the 5-year affordability period. As currently written, the homes must be sold to an LMI household for at or below \$175,000.

The State is proposing to clarify that all homes constructed with 2019 CDBG-DR funds must be sold to an LMI household for at or below \$175,000 for initial occupancy. A 5-year affordability period then begins as a receding lien for the amount of the housing incentive awarded to fund the home's construction. During the 5-year affordability period, in order to avoid recapture of the awarded housing incentive if selling the home, the LMI household would be required to sell the home to an LMI household for a maximum sales price of \$175,000 plus the amount of the housing incentive that has already been forgiven.

For instance, if the home was awarded a \$100,000 incentive and the LMI buyer sells the home 2.5 years into the 5-year affordability period, the home could be sold to an LMI household for \$175,000 plus \$50,000 (the amount of the housing incentive forgiven), leaving a maximum sales price to an LMI household of \$225,000 in order to avoid repayment of the remaining unforgiven balance of the awarded housing incentive.

The State believes that this approach will help encourage sales and mortgage approvals to LMI households for initial occupancy, encourage the continuity of LMI households occupying these units for the duration of the affordability period, and assist LMI households in building equity with homeownership.

See the original text below:

- 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.
- Sale of all housing units is capped at \$175,000 and all sales must be to LMI qualified buyers.
- All new housing developments/sub-divisions (construction of homes on land previously not used as residential) will be required to participate in an IEDA planning and/or design consultation process 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.

The text would be revised to state:

- public.
- Sale of all housing units is capped at \$175,000 and all sales must be to LMI qualified buyers for initial occupancy. A receding lien for the 5-year affordability period is placed on the property at the time of sale for the amount of the housing incentive for the unit.
 - After initial occupancy, in order to avoid recapture and repayment of the housing incentive, the LMI homebuyer may sell the home to an LMI buyer for \$175,000 plus the amount of the housing incentive that has been forgiven at the time of sale.
 - For example, if a unit was awarded \$100,000 as an incentive and the LMI buyer sold it 2.5 years into the 5-year affordability period, the unit could be sold to an LMI household for \$175,000 plus \$50,000 (the amount of the housing incentive forgiven at the time of sale), bringing the maximum sales price to an LMI household at the time to \$225,000.
- All new housing developments/sub-divisions (construction of homes on land previously not used as residential) will be required to participate in an IEDA planning and/or design consultation process 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.

The State considers these changes non-substantial as the State will still be offering the same programs as described in the Action Plan as previously amended, there is no change in beneficiaries, and no funds are being reallocated. Therefore, this change will not trigger the definition of substantial amendment in the Action Plan. Please review these changes and the State will incorporate them into our published Action Plan.