

2020 CDBG HOUSING PROGRAMS

Frequently Asked Questions

[GENERAL APPLICATION QUESTIONS AND ANSWERS]

Question: **Do the new rehabilitation programs include target areas?**

Answer: IEDA has eliminated target areas for application and scoring purposes. However, if a community wanted to create a target area as a preference for their waiting list, that process would have to be outlined in the Administrative Plan.

Question: **For those applications being taken on a first come, first serve basis, will there be a report showing how much funding is still available for people to view? When all the funds have been awarded, will IEDA just keep accepting applications and hold them in a cue until the next funding round?**

Answer: IEDA will have a report available on the website showing available funding. However, once all program funding is allocated, communities will no longer be able to submit an application. IEDA will open the application up once additional funding is available and share that information with administrators.

Question: **When will IEDA be able to make awards in 2020?**

Answer: IEDA will start reviewing applications around July. However, IEDA cannot make awards until we receive our 2020 HUD funding. We are unsure as to when we will receive those funds.

Question: **Can applications be submitted now, or do we need to wait until July?**

Answer: Application are open now but will not be reviewed until sometime in July. The deadline for the Upper Story Conversion Program is July 31, 2020 at 11:59 PM.

Question: **If a county applies for a grant, will homeowners, homebuyers, or properties in the incorporated cities be eligible?**

Answer: Yes, if a county is applying for an eligible Housing Program, homebuyers/homeowners in the incorporated cities and the surrounding rural areas of those Cities would be eligible. Please Note, if an entitlement City is located within the county, they cannot receive assistance.

A breakdown of who can apply for which programs:

- Upper Story Conversion – Open to Cities ONLY
- Homebuyer Assistance – Open to Cities/Counties
- Housing Sustainability –
 - Architectural Barrier Removal – Open to Cities/Counties
 - Energy Efficiency Improvements – Open to Cities/Counties
 - Exterior Home Improvements – Open to Cities ONLY

Question: If a COG has several housing projects going on at the same time with different funding sources, if we procure for assistance with inspections, can we use that procurement and contract with CDBG grants that we may be awarded in the future? For example- we procure for assistance with inspections, work write ups, LBP, and Radon testing and then we are awarded technical services through a city proposal. Can we utilize those services that we have already procured for?

Answer: Regarding procurement:

- Contracts need to be procured for each award.
- Remember, procurement for Technical Services must be completed prior to submitting an application. Make sure your resolution states "if awarded". This assures you do not commit yourself if the application is not funded.

Question: What should be covered at the public hearing for the application?

Answer: As with all CDBG applications, the application public hearing must include a review of (a) how the need for the proposed activity was identified, (b) how the proposed activity will be funded and source of funds, (c) the date the application will be submitted, (d) requested amount of federal funds, (e) estimated portion of federal funds that will benefit persons of low to moderate income, (f) where the proposed activities will be conducted (g) plans to minimize displacement of persons and businesses as a result of funded activities, (h) plans to assist persons actually displaced (i) the nature of the proposed activities.

Each of these items listed above must be addressed/ documented in the public hearing minutes. Public hearing minutes that do not address these discussion items will not be accepted by IEDA.

The public hearing minutes should also reflect the Community Development and Housing Needs Assessment conducted at the hearing.

Question: Could a community that completed a housing needs assessment about 5 years ago just reference and approve this at a council meeting or do they still need to conduct a Community Development and Housing Needs Assessment at a public hearing?

Answer: No. Cities/counties must conduct a public hearing and prepare a Community Development and Housing Needs Assessment for each new application. If an application is not funded, the public hearing minutes and Community Development and Housing Needs Assessment will be valid for one year and can be resubmitted with a new application if the project scope has not changed.

Question: For the new housing programs, does the homeowners have to be current on mortgages, taxes and utilities?

Answer: IEDA does not require this. However, cities/counties may decide to implement this requirement. If the city/county chooses to require this as part of its program, this should be included in the Administrative Plan.

Question: A community tentatively expects their new FEMA flood maps to take effect in October, though that might change due to COVID-19. If we intend to submit the application by July 31st, should we qualify properties based on the old maps or the

new ones? It would particularly be a concern for properties that are out of the SFHA now but are wholly or partially inside it in the new maps.

Answer: Properties in the floodplain are not eligible for CDBG assistance. Therefore, cities/counties must use the most accurate and up to date information available. In this instance, the October maps, even if not yet official, include the most current information and should be used.

[UPPER STORY CONVERSION PROGRAM QUESTIONS AND ANSWERS:]

Question: **Regarding the Upper Story Conversion projects, what is expected for bid bonds, performance, and maintenance bonds.**

- Some retainage with each pay request – at least 10%; and
- Public sealed bids for the work – advertised like a city/county letting.

Answer: The guidance states that all projects must comply with federal procurement regulations in 2 CFR Part 200, including regulations as they apply to non-federal entities. It also states, that applicants will need to be able to convey the development team members and their respective roles and responsibilities in the proposed projects within the application submitted to the IEDA. Entities identified in the application as members of the development team and considered instrumental in the development of the application may not be subject to competitive bidding and procurement after a project is awarded. It is very important to fully document the pre-award Development team, as any partners not clearly engaged in the project pre-award, will be subject to competitive bidding, and any entity with advanced knowledge of the project, that may have an unfair advantage, would be precluded from bidding.

(Please Note, this is currently under review and guidance may change.)

Question: **For the Upper Story Conversion Program, does the whole building need to be unoccupied for 5 years, or just the upper story?**

Answer: The upper story must have been vacant or un-occupiable for five years at time of application. The building may have occupied first floor commercial space. If the entire building has been vacant or un-occupiable, please remember that work on the lower level may not take place at the same time as the Upper Story Conversion Program.

Question: **The guidance for the Upper Story Conversion Program states funds are prorated based on the number of LMI units. If a developer is creating 4 units and 3 were LMI, does that mean CDBG funds could be a maximum of 75% of the entire budget? What if the developer would do all the units as LMI? Could they ask for the entire project from CDBG?**

Answer: In the scenario above, the developer could be eligible for a maximum of 75% of the project cost OR \$500,000, whichever is less. An application that is leveraged by 50% or less of non-CDBG funds would not be a competitive application and would not likely be funded. Documentation of financial commitment must be uploaded as a required attachment and will be reviewed when scoring the applications.

Question: **Can a community apply for a CDBG Downtown Revitalization grant with a CDBG Upper Story Housing Conversion Program grant?**

Answer: IEDA would allow a community to have both an Upper Story Housing Program and a Downtown Revitalization Program simultaneously. However, both programs may not be utilized on the same building.

Question: **For the Upper Story Housing Conversion Program, what are the minimum and maximum debt service limits?**

Answer: We have not set minimum/ maximum debt service ratios. IEDA will look at the proforma as a whole to make sure the financials show the project can be successful.

[HOMEBUYER ASSISTANCE PROGRAM QUESTIONS AND ANSWERS:]

Question: **Guidelines for the Homebuyer Assistance Program state that CDBG funds can be used for half of the lender down payment requirements and closing costs and would be recorded in a junior position to the principal conventional loan. If a client borrows funds in the form of another type of conventional loan for some or the other half of their required down payment, would the CDBG grant sit after that loan also?**

Answer: The CDBG forgivable loan would sit junior to the principal conventional mortgage. If the homebuyer borrowed money from another source to pay the other half of the down payment and closing costs, the other loan would need to sit second to or after the CDBG loan.

Question: **Does the homebuyer need to be a first-time home buyer?**

Answer: The Homebuyer does not need to be a first -time homebuyer to be eligible for assistance.

Question: **What activities can be covered with the \$24,999 per unit allowed? Are these funds to be used for lead hazard reduction activities? Can these funds be used for rehabilitation costs?**

Answer: The \$24,999 can cover:

- Up to 50% of the Lender's required down payment
- Closing costs, not to exceed \$3,500
- Home Inspection, not to exceed \$300.

Any remaining funds under hard costs may not be used for rehabilitation.

Question: **Does the homebuyer need to utilize a traditional lender? Can this program be used in conjunction with other home purchase programs such as USDA or other down payment assistance programs such as Homeward?**

Answer: The lender should meet the definition of "lender" as described in the Program Guidance. As for the down payment, the CDBG program's maximum assistance per household is \$24,999 and may cover up to 50% of the lender determined down payment. The \$24,999 also includes closing costs up to \$3,500 and up to \$300 for a Home inspection. If a homebuyer wants to borrow the other half of the down payment, IEDA will allow that. However, the homebuyer should check with the other agency to

make sure they will allow CDBG funds to be used. The CDBG forgivable lien must be second to the first mortgage. If the homebuyer borrows the second half of the down payment and the other agency also files a lien, the CDBG lien must be filed before the second agency.

Question: The Homebuyer Assistance guidance states communities can apply for funds to assist a maximum of five (5) homes. If the City spends the funds quickly, could the City assist more homeowners with the same funds?

Answer: If a city were to assist the maximum number of households and felt it could assist more families during their period of performance with available funds, they could contact IEDA to discuss. Remember, the period of performance has been shortened to 2 years and a final budget must be submitted for review at month 18.

Question: Can funds be used for principal reduction for those mortgage lenders that do not require a down payment to make the payment more affordable?

Answer: No, funds may not be used for principal reduction. If a mortgage lender does not require a down payment, the lender has already determined the mortgage is affordable for the Homebuyer.

[HOUSING SUSTAINABILITY (HS) APPLICATION QUESTIONS AND ANSWERS:]

Question: Is \$24,999 the maximum that can be used for hard construction costs?

Answer: Yes. \$24,999 is the maximum that can be spent on hard construction costs regardless of the funding source.

Question: With previous CDBG housing applications, cities submitted Tier I of the environmental with the grant application and completed/ submitted Tier II of the review later. Does IEDA want Tier I submitted with the 2020 grant applications?

Answer: Yes. The Tier I Environmental Review is to be completed and ready for publication at the time the application is submitted. It is still a required attachment to the application.

Question: Are matching funds required or preferred for these applications?

Answer: Matching funds are not considered during the application review.

(HS) ENERGY EFFICIENCY IMPROVEMENTS:

Question: For the Energy Efficiency and Architectural Barrier Removal rehab programs, do we have to procure for qualified inspectors/auditors?

Answer: As for procurement on the inspectors/auditors for the two programs, cities/counties can use the small purchase procedures, following the guidelines in the CDBG Grant Management Guide.

- Question:** Would UNI's Green Iowa AmeriCorps's program be a potential resource for conducting energy audits? <https://www.greeniowaamericorps.org/energy-community>
- Answer:** The UNI Green Iowa AmeriCorps would be an acceptable agency to conduct energy audits for the CDBG program.
- Questions:** For the Energy Efficiency program, if a city doesn't plan to address any Tier II items at a particular home, do they have to be able to address all Tier I items within the \$24,999 budget? If not, do they have to prioritize Tier I items in the order listed, or could they pick and choose? For instance, could a project include Tier I items 4, 5, and 7, but address only the attic under item 6?
- Answer:** If no Tier II items are being completed, cities/counties should complete as many Tier I items as possible within the \$24,999 limit. If that allows the contractor to complete three items and only the attic in #6, that would be acceptable. Remember to document decisions regarding scopes of work.

(HS) EXTERIOR HOME IMPROVEMENTS:

- Question:** For the Exterior Home Rehabilitation Program, is an inspection of the entire house for lead paint hazards required or is an exterior-only lead inspection all that is needed?
- Answer:** Because this is a rehabilitation program, lead safe housing regulations require a full inspection of all surfaces, including interior surfaces. Those deteriorated surfaces assumed to be lead will need to be addressed according to the Lead Safe Work Practices, whether interior or exterior.
- Question:** Is radon testing required for the Exterior Home Improvement program?
- Answer:** Yes, it is. Radon testing is paid out of the technical services funding. Radon mitigation must be paid out of hard construction funds. Mitigation is strongly encouraged.