

# *Single Family Housing Production and Down Payment Assistance*

## ***Purpose***

To provide an incentive for the production of new single-family housing and down payment assistance upon completion of construction.

## ***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.
- Eligible recipients will enter into development agreements with Developers for the construction of new single family housing units.
- All housing sold under this program will be sold to qualified LMI households
- All buyers must have the ability to secure a mortgage

**Round 1 Applications:** The IEDA will open up an initial competitive round for \$5,000,000 in single family housing new constitution with down-payment assistance. This first round will allow the state to establish a competitive review process, gauge the capacity of the region for new single-family 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 production Housing. IEDA's 2019 CDBG-DR Action Plan allowed \$15,000,000 for the production of new single-family housing. In Round 1, IEDA awarded: \$121,250.00, leaving \$14,878,750 remaining for this competitive round. 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.

There have been updates to the incentives of this program which are detailed below in relation to the cost of construction. Additional changes have been made to the Green Streets 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 30<sup>th</sup>, 2021**

**Single Family 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***

- Construction of New Housing, including a per housing unit construction reimbursement incentive.
- Down Payment Assistance to eligible buyers up to 50% of the required down payment
  - Based on lender requirements and credit assessment of the buyer
  - Plus, any necessary closing costs
- New construction of housing units includes the construction of single-family houses on vacant lots or the conversion of existing spaces into new housing within existing neighborhoods, and the development of new neighborhoods for residential purposes.
- 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.
- For the purposes of this program “Single-Family Housing” includes free standing single-family homes, attached duplex or fourplex that will be sold as individual units.

### ***National Objective***

This program is designed to meet HUD’s National Objective for the benefit of persons of low and moderate income (LMI). All LMI beneficiaries will purchase the newly constructed home using a CDBG-DR down payment, equal to half the primary lender’s required down payment and necessary closing costs. The form of financial assistance to the homebuyer will be a five (5)-year receding, forgivable loan.

### ***Award***

#### ***Housing Construction:***

The CDBG-DR award will be based on the applicant’s requested amount. Awards must include a per unit housing incentive with down payment assistance, 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.

#### ***Down Payment Assistance:***

Down Payment Assistance will be claimed based on actual assistance needed determined in coordination with the primary mortgage holder, however for the purposes of the CDBG-DR

award, IEDA will award \$20,000 per new single-family house in the application to be made available for down payment assistance.

***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:***

*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](http://iowagrants.gov).

Developers through the local municipality can apply for:

- \$100,000 per housing unit award for construction reimbursement with CDBG-DR
  - Single-Family New Construction
    - Awarded as a non-receding forgivable loan, forgiven at the time of sale to an LMI qualified buyer.
    - 10% retainage held until construction completion, or a date determined by IEDA.
- \$20,000 per single family home will be awarded for down-payment assistance. (This is calculated as 10% of \$175,000 = \$17,500 + \$2,500 closing costs). Closing costs will vary based on individual mortgage terms, credit scores and negotiated sales prices. All down payment assistance must be drawn down based on actual costs.
- 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
- 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.
- 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.
- Sale of all housing units is capped at \$175,000 and all sales must be to LMI qualified buyers.
- The property being purchased must be the applicant's principal place of residence.
- Income verifications must be completed in accordance with 24 CFR 5.609 (Part 5 Annual Income). Income verifications are valid for twelve months from the date verification is completed.
- Residential properties containing businesses may only be included in the program when it can be clearly shown that CDBG-DR funds will not benefit business on the property. Program files will document how the costs were allocated between the residential portion and business portion of the unit.

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 Assurances 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 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 in the form of a recorded lien in the amount of the CDBG-DR award in order to ensure sufficient insurance and project compliance from the onset of construction. This lean will be removed upon the transfer of ownership to the LMI buyer.
- *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](http://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.
- *Down Payment Assistance*
  - The property must remain the LMI buyer’s principal residence for five years following the date of closing for the loan to be fully forgiven.
  - The community must file a lien/security interest against the property in the amount of the CDBG-DR down payment assistance received.
  - The five-year receding forgivable loan bears no interest.
  - Receding will equal 20% per year after the mortgage loan is filed.
  - Payback of CDBG-DR funds remaining, or the total of the net proceeds of the sale, whichever is less, will be required if the assisted property owner sells, vacates, or abandons the property any time within the 5-year period, unless such transfer or sale meets the requirements of these guidelines, or IEDA provides approval in advance of the transfer.
  - Homeowners that refinance the property within the five-year period may only do so for the purpose of lowering their interest rate and not for the purpose of receiving funds by cashing out equity.
  - If the homeowner receives funds from refinancing, the homeowner will be required to repay all CDBG-DR funding.
  - Refinancing to lower a homeowner’s interest rate requires verification from the lender that no funds will be received and a subordination agreement between the homeowner and the community is required.
- *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](http://www.iowagrants.gov);
    - The monitoring visit report will be uploaded to [www.iowagrants.gov](http://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](http://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](http://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.
- *Maintenance Policy*
  - The recipient will maintain safety procedures designated by federal and state law for construction of new buildings.
- *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 purchase the homes". Persons must have been directly impacted by DR 4421, DR 4420, or DR 4435 to be eligible to begin the purchase process on a home during the 4-month marketing period.
  - During the 4-month marketing period, persons interested in homes 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 purchasing 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.