# MEMORANDUM

**TO:** City Council

**FROM:** Stephanie Houk Sheetz, Senior Planner

**DATE:** June 19, 2014

**SUBJECT:** Warden Plaza Redevelopment

**Background**

Landover Corporation is interested in redeveloping the Warden Plaza. The developer, Richard Sova, has an agreement with the landowner, Jolanta Bankowska, to purchase the building. Mr. Sova is working to put together a project that utilizes State and Federal Historic Tax Credits, Enterprise Zone Credits, State Tax Refund, Brownfield Credits as well as tax abatement and TIF backfill from the City. A new opportunity for funding became available very recently. It is a State program called Multi-Family (Rental) Unit – New Production, Round 6 (MF6). MF6 is a forgivable grant utilizing the last of 2008 Disaster Recovery funds. Webster County was a presidentially declared disaster recovery county and therefore Fort Dodge is an eligible project location.

The developer continues to refine the project. It potentially includes:

- Redevelopment of the Warden Apartments building (the west half to two-thirds of the building, the red brick, built in 1924-1926 as the Warden Apartments)
- First & second floors to be office/commercial, as originally constructed
- Third to seventh floors to be residential rental – 97 units
- Conversion of Warden Hotel building into parking, potentially providing 120 parking spaces (the east one-third of the building, the tan brick, was built in 1914 as the Warden Hotel)

**Multi-Family (Rental) Unit – New Production, Round 6 program**
MF6 has a new component now making redevelopment and downtown projects eligible. This funding runs through the Community Development Block Grant (CDBG) program. Of the $55 million available, $25 million is designated for cities under 50,000 in population. Each project may receive up to $3 million. While mixed use projects will be allowed, only residential portions will be funded. MF6 has a very quick timeline. Applicants must demonstrate all funding is secured, with limited exceptions. Projects are to be "shovel ready," with construction starting no later than April 1, 2015. There are several key project requirements staff would like to discuss with City Council to gauge the level of support for utilizing this funding source. MF6 requires:

1. 51% of the rental units shall be occupied by persons or households whose incomes are at or below 80% of the area median income limits, as established by HUD (see attached)
    - If 97 units are provided, then 50 must be at 80% LMI (Low to Moderate Income)
2. Maximum rent limits for these affordable units set by the HOME Program 65% rent limits (see attached)
3. A 10-year period of affordability will be required, after that the project reverts to market rate.

These are the three areas staff seeks Council input, to gauge the support for a project that would include affordability components. Attached is an outline of the program requirements. Program applications and supplemental documentation can be provided, if requested.

Staff would like to note that the household income limits of this program are higher than those with the Low-Income Housing Tax Credit, which has two different rent level restrictions to choose from: 20% units must be at or below 50% LMI or 40% of the units must be at or below 60% LMI; both apply for 30 years. The Warden is not proposed to be a LIHTC project. If developed utilizing CDBG funds, 51% of the rental units must be at or below 80% LMI for ten years and after that all apartments can be rented at market rate.

Any project funded by MF6 requires compliance with Iowa Green Streets Criteria. There are multiple areas where this applies to a project like the Warden, primarily in energy efficiency, environmental aspects and creating a healthy living environment. A detailed 15-year cash flow proforma is also required by the State. It includes income, operating expenses, loans, and fees. The project must demonstrate a debt service coverage ratio between 1.15 and 1.35.

The developer has submitted previously under the Multi-Family (Rental) Unit – New Production on a different project. He would like to submit a request for MF6 for the Warden project. The City of Fort Dodge must indicate their support for the application. A complete application is due August 15th to North Iowa Council of Governments (NIACOG). The application must have NIACOG and Cerro Gordo County Board of Supervisors approval. It is officially submitted under Cerro Gordo County, per program requirements. If awarded, the grant would be administered by MIDAS Council of Governments.

**City Support**
The developer is seeking the City's support of this application. In order for the Warden Apartments building rehabilitation to work, all available incentives must be tapped: State and Federal Historic Tax Credits, Enterprise Zone Credits, State Tax Refund, Brownfield Credits as well as tax abatement and TIF backfill from the City. To be an eligible and competitive MF6 application, these sources of support must be secured in advance. Several of these require City support or action. The developer is looking to confirm the City's commitment in the following areas:

- Enterprise Zone Credits – Developer needs to submit application, City would approve.

- Brownfield/Grayfield Redevelopment Tax Credit - Developer needs to submit application, City would support.
- CDBG-DTR – This is a different funding source that has funded façade projects in other communities. New criteria are anticipated in the January 2015 application cycle that would now make one building, like the Warden, eligible. The City must prepare, complete and submit the application. The City would also officially cash flow the project. The City could administer it or utilize MIDAS.
- Tax abatement – This project could qualify under the City's downtown or abandoned tax abatement schedules. The downtown schedule is a 10-year sliding scale or 3 year 100% abatement. The abandoned schedule is a 15-year sliding scale or 5 year 100% abatement. Once a project proforma is completed, a developed value can be determined in order to project the abatement value.
- TIF backfill – The developer needs an incentive equal to 10 years, 100% tax abatement. TIF backfill could be used to fill that gap. Once a project proforma is completed, a developed value can be determined and the TIF revenue can be calculated to determine what might be available for backfill.

Staff seeks Council discussion on these areas, to gauge the support for the project.

**Exceptions**
Rehabilitating the entire Warden building, as it is considered today (both Warden Apartments and Warden Hotel) is an enormous project. Not only would it take considerable financial resources to completely rehabilitate, but it would be a huge number of units to maintain and operate. This is likely just one of the contributing factors to the building's ten-year vacancy and dilapidation. The developer is exploring the feasibility of converting the Warden Hotel into a parking structure. Crucial to that proposal is the State Historic Preservation Office's (SHPO) support. More specifically, they need to determine the Warden Apartment building remains eligible for historic tax credits if the Hotel is converted to parking. Ideally, the conversion to parking would also be eligible for historic tax credits. Mr. Sova has started this discussion and has submitted the first round of required documents for historic tax credit eligibility review. We await SHPO's determination on the eligibility.

Should eligibility be confirmed, then the developer and the City will need to further discuss the parking. The developer's initial interest is to deed the parking ramp to the City. Staff recommends a number of areas be specifically addressed before any determination is made. Some of those areas include: receive recommendations of Downtown Parking Study (looking at parking demand and opportunity in this area), explore all options (including surface parking, and additions thereto), identify operations/maintenance costs, and determine revenue sources. The developer is aware that if the incentives identified above are used in full for the Warden Apartment rehabilitation, there will be no other sources of incentives available to support creation of parking. Providing parking to support 97 residential units and 20-30,000 square feet of commercial/office area is very important for this project's long-term viability.

While the developer feels parking is a critical component to the redevelopment, he would like to divide the project into manageable pieces, first focusing on assembling the financing for the Warden Apartments to be competitive for an MF6 grant. Upon securing funds for the Warden Apartments, then parking will be the next discussion and questions such as those mentioned previously will be answered in more detail.

**Conclusion**
Should Council support the affordability components and commit to City support areas, the developer will continue with his efforts to assemble a grant proposal for the MF6 program. The City can draft a development agreement when a detailed proforma is completed. Staff will bring forward any and all applications for state programs for formal support from the City Council.

| County | 1 person 100% MFI | 2 person 100% MFI | 3 person 100% MFI | 4 person 100% MFI | 5 person 100% MFI | 6 person 100% MFI | 7 person 100% MFI | 8 person 100% MFI |
|---|---|---|---|---|---|---|---|---|
| Adair County | $42,100 | $48,100 | $54,100 | $60,100 | $65,000 | $69,800 | $74,600 | $79,400 |
| Adams County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Allamakee County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Appanoose County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Audubon County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Benton County | $49,200 | $56,200 | $63,200 | $70,200 | $75,900 | $81,500 | $87,100 | $92,700 |
| Black Hawk County | $43,400 | $49,600 | $55,800 | $61,900 | $66,900 | $71,900 | $76,800 | $81,800 |
| Boone County | $50,400 | $57,600 | $64,800 | $72,000 | $77,800 | $83,600 | $89,300 | $95,100 |
| Bremer County | $52,800 | $60,300 | $67,800 | $75,300 | $81,400 | $87,400 | $93,400 | $99,400 |
| Buchanan County | $46,700 | $53,400 | $60,100 | $66,700 | $72,100 | $77,400 | $82,800 | $88,100 |
| Buena Vista County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Butler County | $43,600 | $49,800 | $56,000 | $62,200 | $67,200 | $72,200 | $77,200 | $82,200 |
| Calhoun County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Carroll County | $46,400 | $53,000 | $59,600 | $66,200 | $71,500 | $76,800 | $82,100 | $87,400 |
| Cass County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Cedar County | $48,400 | $55,300 | $62,200 | $69,100 | $74,700 | $80,200 | $85,700 | $91,300 |
| Cerro Gordo County | $44,600 | $50,900 | $57,300 | $63,600 | $68,700 | $73,800 | $78,900 | $84,000 |
| Cherokee County | $43,000 | $49,200 | $55,300 | $61,400 | $66,400 | $71,300 | $76,200 | $81,100 |
| Chickasaw County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Clarke County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Clay County | $42,500 | $48,500 | $54,600 | $60,600 | $65,500 | $70,300 | $75,200 | $80,000 |
| Clayton County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Clinton County | $45,900 | $52,400 | $59,000 | $65,500 | $70,800 | $76,000 | $81,300 | $86,500 |
| Crawford County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Dallas County | $52,500 | $60,000 | $67,500 | $74,900 | $80,900 | $86,900 | $92,900 | $98,900 |
| Davis County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Decatur County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Delaware County | $44,600 | $50,900 | $57,300 | $63,600 | $68,700 | $73,800 | $78,900 | $84,000 |
| Des Moines County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Dickinson County | $44,700 | $51,100 | $57,500 | $63,800 | $69,000 | $74,100 | $79,200 | $84,300 |
| Dubuque County | $48,600 | $55,600 | $62,500 | $69,400 | $75,000 | $80,600 | $86,100 | $91,700 |
| Emmet County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Fayette County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Floyd County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Franklin County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Fremont County | $44,500 | $50,800 | $57,200 | $63,500 | $68,600 | $73,700 | $78,800 | $83,900 |
| Greene County | $44,800 | $51,200 | $57,600 | $64,000 | $69,200 | $74,300 | $79,400 | $84,500 |
| Grundy County | $43,400 | $49,600 | $55,800 | $61,900 | $66,900 | $71,900 | $76,800 | $81,800 |
| Guthrie County | $52,500 | $60,000 | $67,500 | $74,900 | $80,900 | $86,900 | $92,900 | $98,900 |
| Hamilton County | $45,200 | $51,600 | $58,100 | $64,500 | $69,700 | $74,900 | $80,000 | $85,200 |
| Hancock County | $42,600 | $48,700 | $54,800 | $60,800 | $65,700 | $70,600 | $75,400 | $80,300 |
| Hardin County | $45,000 | $51,400 | $57,800 | $64,200 | $69,400 | $74,500 | $79,700 | $84,800 |
| Harrison County | $51,100 | $58,400 | $65,700 | $73,000 | $78,900 | $84,700 | $90,600 | $96,400 |
| Henry County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Howard County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Humboldt County | $43,200 | $49,400 | $55,600 | $61,700 | $66,700 | $71,600 | $76,600 | $81,500 |
| Ida County | $44,700 | $51,100 | $57,500 | $63,800 | $69,000 | $74,100 | $79,200 | $84,300 |
| Iowa County | $49,900 | $57,000 | $64,100 | $71,200 | $76,900 | $82,600 | $88,300 | $94,000 |

| County | 1 person 100% MFI | 2 person 100% MFI | 3 person 100% MFI | 4 person 100% MFI | 5 person 100% MFI | 6 person 100% MFI | 7 person 100% MFI | 8 person 100% MFI |
|---|---|---|---|---|---|---|---|---|
| Jackson County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Jasper County | $43,500 | $49,700 | $55,900 | $62,100 | $67,100 | $72,100 | $77,100 | $82,000 |
| Jefferson County | $43,600 | $49,800 | $56,000 | $62,200 | $67,200 | $72,200 | $77,200 | $82,200 |
| Johnson County | $55,700 | $63,600 | $71,600 | $79,500 | $85,900 | $92,300 | $98,600 | $105,000 |
| Jones County | $46,000 | $52,500 | $59,100 | $65,600 | $70,900 | $76,100 | $81,400 | $86,600 |
| Keokuk County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Kossuth County | $45,800 | $52,400 | $58,900 | $65,400 | $70,700 | $75,900 | $81,100 | $86,400 |
| Lee County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Linn County | $52,200 | $59,600 | $67,100 | $74,500 | $80,500 | $86,500 | $92,400 | $98,400 |
| Louisa County | $42,000 | $48,000 | $54,000 | $59,900 | $64,700 | $69,500 | $74,300 | $79,100 |
| Lucas County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Lyon County | $43,400 | $49,600 | $55,800 | $61,900 | $66,900 | $71,900 | $76,800 | $81,800 |
| Madison County | $52,500 | $60,000 | $67,500 | $74,900 | $80,900 | $86,900 | $92,900 | $98,900 |
| Mahaska County | $44,800 | $51,200 | $57,600 | $63,900 | $69,100 | $74,200 | $79,300 | $84,400 |
| Marion County | $48,400 | $55,300 | $62,200 | $69,100 | $74,700 | $80,200 | $85,700 | $91,300 |
| Marshall County | $41,800 | $47,800 | $53,800 | $59,700 | $64,500 | $69,300 | $74,100 | $78,900 |
| Mills County | $51,100 | $58,400 | $65,700 | $73,000 | $78,900 | $84,700 | $90,600 | $96,400 |
| Mitchell County | $47,200 | $54,000 | $60,700 | $67,400 | $72,800 | $78,200 | $83,600 | $89,000 |
| Monona County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Monroe County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Montgomery County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Muscatine County | $46,100 | $52,700 | $59,300 | $65,800 | $71,100 | $76,400 | $81,600 | $86,900 |
| O'Brien County | $44,200 | $50,500 | $56,800 | $63,100 | $68,200 | $73,200 | $78,300 | $83,300 |
| Osceola County | $45,100 | $51,600 | $58,000 | $64,400 | $69,600 | $74,800 | $79,900 | $85,100 |
| Page County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Palo Alto County | $42,700 | $48,800 | $54,900 | $61,000 | $65,900 | $70,800 | $75,700 | $80,600 |
| Plymouth County | $51,600 | $58,900 | $66,300 | $73,600 | $79,500 | $85,400 | $91,300 | $97,200 |
| Pocahontas County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Polk County | $52,500 | $60,000 | $67,500 | $74,900 | $80,900 | $86,900 | $92,900 | $98,900 |
| Pottawattamie County | $51,100 | $58,400 | $65,700 | $73,000 | $78,900 | $84,700 | $90,600 | $96,400 |
| Poweshiek County | $48,800 | $55,700 | $62,700 | $69,600 | $75,200 | $80,800 | $86,400 | $91,900 |
| Ringgold County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Sac County | $41,800 | $47,800 | $53,800 | $59,700 | $64,500 | $69,300 | $74,100 | $78,900 |
| Scott County | $44,000 | $50,300 | $56,600 | $62,800 | $67,900 | $72,900 | $77,900 | $82,900 |
| Shelby County | $41,900 | $47,900 | $53,900 | $59,800 | $64,600 | $69,400 | $74,200 | $79,000 |
| Sioux County | $46,200 | $52,800 | $59,400 | $66,000 | $71,300 | $76,600 | $81,900 | $87,200 |
| Story County | $52,600 | $60,100 | $67,600 | $75,100 | $81,200 | $87,200 | $93,200 | $99,200 |
| Tama County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Taylor County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Union County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Van Buren County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Wapello County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Warren County | $52,500 | $60,000 | $67,500 | $74,900 | $80,900 | $86,900 | $92,900 | $98,900 |
| Washington County | $46,400 | $53,000 | $59,600 | $66,200 | $71,500 | $76,800 | $82,100 | $87,400 |
| Wayne County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Webster County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Winnebago County | $45,300 | $51,800 | $58,300 | $64,700 | $69,900 | $75,100 | $80,300 | $85,500 |
| Winneshiek County | $46,300 | $52,900 | $59,500 | $66,100 | $71,400 | $76,700 | $82,000 | $87,300 |

| County | 1 person 100% MFI | 2 person 100% MFI | 3 person 100% MFI | 4 person 100% MFI | 5 person 100% MFI | 6 person 100% MFI | 7 person 100% MFI | 8 person 100% MFI |
|---|---|---|---|---|---|---|---|---|
| Woodbury County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |
| Worth County | $43,200 | $49,300 | $55,500 | $61,600 | $66,600 | $71,500 | $76,400 | $81,400 |
| Wright County | $41,800 | $47,700 | $53,700 | $59,600 | $64,400 | $69,200 | $74,000 | $78,700 |

2014 HOME PROGRAM RENTS

| | PROGRAM | EFFICIENCY | 1 BR | 2 BR | 3 BR | 4 BR | 5 BR | 6 BR |
|---|---|---|---|---|---|---|---|---|
| Van Buren County, IA | | | | | | | | |
| | LOW HOME RENT LIMIT | 392 | 488 | 579 | 777 | 816 | 938 | 1046 |
| | HIGH HOME RENT LIMIT | 392 | 488 | 579 | 813 | 816 | 938 | 1061 |
| | For Information Only: | | | | | | | |
| | FAIR MARKET RENT | 392 | 488 | 579 | 813 | 816 | 938 | 1061 |
| | 50% RENT LIMIT | 523 | 561 | 673 | 777 | 867 | 957 | 1046 |
| | 65% RENT LIMIT | 660 | 709 | 853 | 977 | 1070 | 1162 | 1254 |
| Wapello County, IA | | | | | | | | |
| | LOW HOME RENT LIMIT | 420 | 495 | 650 | 777 | 867 | 957 | 1046 |
| | HIGH HOME RENT LIMIT | 420 | 495 | 650 | 830 | 869 | 999 | 1130 |
| | For Information Only: | | | | | | | |
| | FAIR MARKET RENT | 420 | 495 | 650 | 830 | 869 | 999 | 1130 |
| | 50% RENT LIMIT | 523 | 561 | 673 | 777 | 867 | 957 | 1046 |
| | 65% RENT LIMIT | 660 | 709 | 853 | 977 | 1070 | 1162 | 1254 |
| Wayne County, IA | | | | | | | | |
| | LOW HOME RENT LIMIT | 392 | 428 | 579 | 777 | 856 | 957 | 1046 |
| | HIGH HOME RENT LIMIT | 392 | 428 | 579 | 853 | 856 | 984 | 1113 |
| | For Information Only: | | | | | | | |
| | FAIR MARKET RENT | 392 | 428 | 579 | 853 | 856 | 984 | 1113 |
| | 50% RENT LIMIT | 523 | 561 | 673 | 777 | 867 | 957 | 1046 |
| | 65% RENT LIMIT | 660 | 709 | 853 | 977 | 1070 | 1162 | 1254 |
| Webster County, IA | | | | | | | | |
| | LOW HOME RENT LIMIT | 466 | 469 | 579 | 777 | 858 | 957 | 1046 |
| | HIGH HOME RENT LIMIT | 466 | 469 | 579 | 823 | 858 | 987 | 1115 |
| | For Information Only: | | | | | | | |
| | FAIR MARKET RENT | 466 | 469 | 579 | 823 | 858 | 987 | 1115 |
| | 50% RENT LIMIT | 523 | 561 | 673 | 777 | 867 | 957 | 1046 |
| | 65% RENT LIMIT | 660 | 709 | 853 | 977 | 1070 | 1162 | 1254 |
| Winnebago County, IA | | | | | | | | |
| | LOW HOME RENT LIMIT | 392 | 460 | 579 | 841 | 886 | 1019 | 1132 |
| | HIGH HOME RENT LIMIT | 392 | 460 | 579 | 853 | 886 | 1019 | 1152 |
| | For Information Only: | | | | | | | |
| | FAIR MARKET RENT | 392 | 460 | 579 | 853 | 886 | 1019 | 1152 |
| | 50% RENT LIMIT | 566 | 606 | 728 | 841 | 938 | 1036 | 1132 |
| | 65% RENT LIMIT | 716 | 769 | 924 | 1060 | 1163 | 1264 | 1366 |
| Winneshiek County, IA | | | | | | | | |
| | LOW HOME RENT LIMIT | 425 | 428 | 579 | 757 | 958 | 1058 | 1156 |
| | HIGH HOME RENT LIMIT | 425 | 428 | 579 | 757 | 1025 | 1179 | 1333 |
| | For Information Only: | | | | | | | |
| | FAIR MARKET RENT | 425 | 428 | 579 | 757 | 1025 | 1179 | 1333 |
| | 50% RENT LIMIT | 578 | 620 | 743 | 859 | 958 | 1058 | 1156 |
| | 65% RENT LIMIT | 733 | 786 | 946 | 1083 | 1189 | 1293 | 1397 |

* Adjusted Low HOME Rent or High HOME Rent corrects for 2010-2012 incorrect hold harmless rent.
For all HOME projects, the maximum allowable rent is the HUD calculated High HOME Rent Limit and/or Low HOME Rent Limit.

# Attachment Q
# Multi-Family (Rental) Unit – New Production – Round # 6

Any of the IEDA's CDBG Disaster Recovery Housing Recipient Counties: Black Hawk County; Cass County; Cerro Gordo County; Dubuque County; Linn County and Union County (administer by the Regional Super COGs) and any of the following CDBG Entitlement Cities: Ames; Cedar Falls; Cedar Rapids; Council Bluffs; Davenport; Des Moines; Dubuque, Waterloo and West Des Moines, may apply on behalf of for-profit or non-profit multi-family (rental) housing developers to construct multi-family rental dwelling units within their jurisdictions. Funding will only be allowed for projects located in one of the presidentially declared disaster recovery counties.

Funds available for this round will be approximately $55,000,000.

The funds will be divided as follows: 1) Approximately $30,000,000 will be designated for cities over 50,000 population. 2) Approximately $25,000,000 will be designated for cities under 50,000 population.

Applications may qualify as either: a) Replacing units lost; or b) Impact on area recovery.

For the expanded Super COG disaster regions, projects will <u>only</u> be allowed in incorporated communities within your jurisdiction.

All individual projects must have written concurrence and acceptance of the project from the local government entity in which the project will be located.

Submit your proposals to the IEDA by no later than September 2, 2014.
IEDA anticipates awarding projects by January 5, 2015.
Projects should plan to be under construction no later than April 1, 2015.

- Application limits are as follows:

✓ For the Entitlement Cities, no more than two applications may be submitted. Submit one project on each application form. Only Cedar Rapids can submit more than two projects to replace units lost.

✓ Any of the IEDA's six CDBG Disaster Recovery Housing Recipients (Administered by their assigned Regional Super COG) may submit more than two projects but not more than two projects from any one community. Submit one project on each application form.

- Projects will be prioritized according to such factors as: a) affordability; b) sustainability; c) need (market); d) the project's relationship to the disasters of 2008; e) adaptive re-use (historic preservation, upper story and conversion); f) infill; and g) other factors, if necessary, because of funding limitations and/or the overall goal to ensure availability of this activity across all affected areas of the State of Iowa. The IEDA may require (and at our discretion) a market study to be conducted to support the claimed need for a proposed project (including such factors as location, size of rental units, number of rental units, rent structure, etc.). Required market studies will be at the applicant's expense.

- CDBG Disaster Recovery Housing Funds will be awarded on a most ready to proceed (shovel ready) basis after evaluation of the project proposals. The COGs or Cities submitting the approved projects to IEDA will verify the readiness to proceed in their cover letter.

- This activity is limited to newly-generated multi-family housing. This activity does not include those projects for which low income housing tax credits are also sought or that comprise any portion of the financial resources of the proposed project's budget.

- Definitions:

*"Adaptive Re-use"* For purposes of this guidance for this activity, adaptive re-use proposals (i.e., those projects converting non-residential use structures or buildings into residential use structures or buildings) will be considered as new production, and therefore eligible under this activity. Adaptive re-use shall include any historic preservation rental housing projects, upper story residential projects and conversion of existing structures into new housing units.

*"Affordable Rental Units"* means those units contained in the mortgaged property and contained in the agreement for covenants and restrictions that are occupied by low and moderate income persons or households at any given time. Affordable rental units (in the appropriate number as described later in these guidelines under the CDBG National Objective criteria) are to be retained at all times as affordable rental units throughout the period of affordability through income limitations of the tenants occupying those units and through rent limitations for the tenants occupying those units.

*"In-fill"* means new development on any vacant parcel within an incorporated area that according to the assessor's office has been previously improved.

*"Mixed Use"* means a project that includes a commercial venture with residential. The residential project must stand on its own and commercial improvements will not be considered. All costs associated with the commercial must be separated and not reflected in the proposed budget, sources and uses of funds and proforma for the residential project. No live/work units will be funded.

*"Multi-family"* means a project that is intended to be for rental units for multiple families. The smallest number of units would be a duplex. Single family units are not included in this activity.

*"Project"* means a site or sites together with any building or buildings located on a site or sites that are under common ownership, management, and financing and are to be assisted with CDBG Disaster funds as a single undertaking, and includes all activities associated with the site(s) and building(s).

*"Scattered Site"* means the Applicant must submit a composite application reflecting the total of all sites as well as separate site specific exhibits for each site included in the Project. A scattered site is a project where multiple buildings with similar units are not located in proximity to one another, but are located within a 20-mile radius in the same community, as determined by Google Maps (www.Googlemaps.com) using driving directions, and are jointly managed for the purposes of meeting the affordable rental unit requirements. A scattered site project may be new construction, acquisition, conversion, upper-story or a combination of these types. The application for scattered sites must include a total project budget along with individual project budgets for each site.

- Applicants, prior to application submission, need to determine the development team that will be involved in each project and prior to proposal submission to the IEDA. 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. (see IEDA's Procurement Policy for Disaster Recovery Housing). Development team members may include, but are not limited to:
  - Owner (or eventual owner);
  - Program administrator / overseer from start to finish, including throughout the prescribed period of affordability, if different from the owner;
  - Developer(s) and/or builder(s) of the multi-family (rental) housing;
  - Architectural / Engineering (A/E) or design services, as applicable;
  - Construction Lender(s);
  - Permanent Lender(s), as applicable;
  - Property Manager(s);
  - Energy Rater firm;
  - Etc.

- There is a maximum per project cap limitation of $3,000,000 on the CDBG Disaster Recovery funds. The Recipient shall determine the per unit cost cap limitation, for each project, if any.

- Any and all additional costs of the project above the stated CDBG Disaster funds limitations of $3,000,000 shall come from other financial resources. Projects should reflect a Debt Service Coverage Ratio between 1.15 and 1.35 for the period of affordability. All other necessary financial resources shall be committed and secured prior to the commitment of CDBG Disaster funds to the rental project. All secured financial resources should be supported by commitment letters with terms or account balance statements for owner funds in the application. Financial documents can be submitted as confidential. If an applicant intends to use Historic Preservation Tax Credits and/or Workforce Housing Tax Credits (previously known as Housing Enterprise Zone) in their sources of funds, providing documentation that these credits have been applied for is sufficient for this application. Award of said tax credits is not required for application.

- CDBG National Objective - All assisted multi-family (rental) new production projects shall meet the national objective of “Primarily benefits persons of low and moderate income – Housing”. Effectively, this means that no less than 51% of the rental units in an assisted rental project shall be occupied by persons or households whose incomes are at or below 80% of the area median income limits (LMI) by household size as established by HUD for the jurisdiction in which the rental project is located. Mixed use projects will be allowed under this activity but only the residential portion will be funded. Residential and Commercial costs must be separated and Commercial Income cannot be included in the proforma.

    - 51% of all rental units in the project (rounded up to the nearest whole number) shall be made available to and occupied by a low and moderate (LMI) tenant (e.g., in a thirty-two unit project, seventeen units shall be made available to and occupied by LMI tenants).
    - For rental projects that contain residential units of varying bedroom sizes, to the extent possible, the 51% criteria needs to be applied (i.e., a proportional share) to all sizes (number of bedrooms) of units.

  Scattered site projects accomplished as a single undertaking shall take into consideration the individual properties on the various sites when determining national objective compliance (i.e., the 51% criteria). Each site will have to meet the National Objective. According to HUD Occupancy rules: all single unit structures must be occupied by an LMI tenant, two-unit structures (duplex) must have at least one unit occupied by an LMI tenant and structures containing more than two units must have at least 51% of the units occupied by LMI tenants.

When all work has been completed, each property receiving CDBG Disaster funds will require a forgivable loan and agreement for covenants and restrictions in the form of a recorded lien (sample of lien available upon request from IEDA). At that time the term of affordability begins. 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 funds for that site and an aggregate of soft costs divided by square footage for all scattered sites in a single application; ensuring that the total of all scattered sites forgivable loans match the total CDBG Disaster funds award amount for the project. It is at this juncture (initial occupancy following the provision of assistance) that the appropriate number of units in the project needs to be occupied by the appropriate number of LMI tenants and the subsequent rents limited on those units.

- Projects constructed under this activity could result in mixed-income projects, in that, only a percentage of the total number of units are required to meet the activity income and rent requirements (i.e., the "assisted" units). In the design of projects under this activity, consideration needs to be given to keeping all units in the project, not just the assisted units, consistent with each other in terms of bedroom sizes, square footage, similar design features, similar amenities, etc. This will allow assisted property owners units to maintain the required percentage of assisted units within the project and at the same time be able to use any of the units in the project to meet the required percentage. If unit design is not consistent, applications may be rejected; awards reduced and/or contain other restrictions to ensure appropriate use of funds for affordable units.

- Maximum (gross) rent limits on the CDBG Disaster Funds assisted (affordable) rental units (by bedroom size) shall not exceed the most current HOME Program 65% rent limits.

- Rental property owners of CDBG Disaster funds assisted rental projects shall agree to a period of affordability in terms of tenant income restrictions (limitations) and through affordable rent limitations (controls) on <u>all</u> CDBG Disaster funds assisted rental units (i.e., the affordable rental units) serving LMI tenants, maintaining the appropriate number of affordable rental units for the entire period of affordability.

  A 10-year period of affordability will be placed on projects that contain 12 or more units. A 5-year period of affordability will be placed on projects that contain less than 12 units.

  Long-term affordability requirements shall be secured through an agreement for covenants and restrictions and a forgivable loan in the amount of the CDBG Disaster Funds filed as a recorded lien that will ride with the assisted rental property owner's land.

Throughout the period of affordability, assisted rental property owners shall ensure that the appropriate number of rental units remains affordable to, and are occupied by, income eligible and verified LMI tenants. All assisted rental units shall be subject to the maximum rent limitations (by bedroom size) applicable to all assisted rental units for the entire 5 or 10 year period of affordability. Applicants will need to identify who will be responsible for the long-term affordability requirements and oversight for all funded new construction multi-family (rental) projects.

- Throughout the period of affordability, assisted rental property owners shall agree to periodic reporting requirements and compliance monitoring and/or inspections (for tenant incomes and rents on the affordable units, appropriate unit mix, property standards compliance, etc.).

- The CDBG Disaster funds subsidy amount provided must be secured as a recorded mortgage lien on the assisted multi-family property.

- The CDBG Disaster funds forgivable loan may be recorded in junior position to the principal conventional loan (if there is one), but must be recorded in senior position to any and all other funding in the project. Additionally, recipients must maintain their assistance security agreements in the above-stated recording position throughout the 5 or 10-year period.

- Form of assistance – The form of financial assistance (CDBG funds) will be a 10-year forgivable loan (non-receding), forgiven in full at the end of the 10-year compliance period for projects with 12 or more units. For projects with less than 12 units, the form of financial assistance (CDBG funds) will be a 5-year forgivable loan (non-receding), forgiven in full at the end of the 5-year compliance period. If the assisted rental project is sold or transferred, or converted to an alternate (use, during the compliance period following completion and acceptance, the <u>entire</u> amount of the CDBG forgivable loan shall be repaid. Upon mutual agreement and consent between the IEDA and the originally assisted rental property owner; the assisted rental project may be sold or transferred, but, <u>only</u> if the new purchaser agrees to continue with the terms of the forgivable loan agreement and the agreement for covenants and restrictions, to complete the remainder of the affordability period (tenant income and rent limitations on 51% of the rental units).

- Newly constructed multi-family dwelling units under this activity <u>shall not</u> be constructed in a 100-year flood plain or within buy-out areas (those buying out properties in a 100-year flood plain), known or proposed. No adaptive re-use multi-family proposals located within the 100-year flood plain will be allowed under this activity.

- All newly constructed multi-family 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 or standards, the requirements of the Iowa State Building Code shall apply.

- It is the IEDA's goal to utilize the CDBG Disaster Funds in a manner that results in green-built, sustainable multi-family structures. All newly constructed units, including adaptive re-use, upper story, conversion and new construction multi-family housing shall meet the requirements of the Iowa Green Streets Criteria. All proposals must submit a completed Green Development Plan and Checklist. The Iowa Green Streets Criteria and supporting resources are available under the "Resources" section online at [www.iowaeconomicdevelopment.com/CommunityDevelopment/green](www.iowaeconomicdevelopment.com/CommunityDevelopment/green). A pre-application workshop to review CDBG and Iowa Green Streets Criteria requirements will be held on June 19, 2014 in Grinnell, please notify Jeff Geerts with IEDA for more information.

- Lots (land) on which to construct the multi-family housing proposed need to be identified and site control (not necessarily ownership) obtained, prior to application submission, and be identified (property address and legal description) within the application. This is particularly important with regard to the requirements of the Iowa Green Streets Criteria.

- Recipients may be allowed general administrative funds in an amount not-to-exceed two percent (2%) of the total award (calculated by considering the total of all project-related costs as ninety-eight percent of the total award i.e. Project Cost ÷ .98 - Project Cost = Administration).

- The owner and/or the developer / builder of the newly constructed multi-family housing shall obtain their own construction financing.

- Developers / builders will be allowed a combined developers fee and/or builders fee (overhead and profit) not-to-exceed twelve percent of the total cost of construction.

- Program Income does not pertain to those sub-recipients of rental construction or rehabilitation that can certify that they are a for-profit entity and that they own the funded project with no portion of the project being leased to the sub-recipient by a third party. They can show for-profit status by completing the Department's Certificate of the Developer. They can show ownership of the project property by either producing a Title Guaranty Certificate or a title opinion and/or documentation from the county recorder's office or the County Assessor's office. Land ownership in Iowa must be recorded in the county that the property resides with the recorder and the county assessor's office also lists ownership of land as a way of accurately taxing property owners.

- All awarded projects are subject to the standard State and Federal Regulations associated with the expenditure of Federal Community Development Block Grant (CDBG) funds. Including but not limited to Federal Labor Standards, Environmental Review, Lead Safe Housing, Civil Rights and Fair Housing, etc. Grant administrators for these projects should be familiar with these regulations and should ensure that all developments are in compliance with the terms of the disaster recovery contracts. Please note that all projects with 8 or more units will be subject to Davis Bacon wage rates. All projects must complete an environmental review with a 15-day notification period prior to a release of funds. See CDBG Management Guide for more details regarding these regulations.