



## **City of Iowa City Rental Rehabilitation Program Guidelines**

The Rental Rehabilitation Program is designed to provide funding to rehabilitate smaller rental properties in the City's targeted neighborhoods. Projects can receive up to \$24,999 per unit for rehabilitation funded through a zero-interest loan and a grant. This provides an incentive for owners to invest in and preserve the city's existing rental stock while maintaining affordability for tenants.

This program will be funded primarily through federal HOME Investment Partnership funds. Up to \$90,000 are available annually on a first come, first serve basis.

The general guidelines for the program are as follows:

### **I. Geographic Information**

Properties located within the City's CDBG Targeted Areas will be eligible (see map).

### **II. Eligible Property**

- Single-family and duplex structures with a valid rental permit.
- Properties must not have any outstanding property taxes or rental permit fees.
- Units must be able to be restored to decent, safe and sanitary condition that meets the HOME program criteria.
- Applicants must have possession of unit(s) at the time of application.
- The property must be insured with a comprehensive insurance policy at the time of application.
- Vacant properties must be rented to an income eligible tenant within six months of the rehabilitation completion.
- Tenants in occupied properties must be income eligible at the time of application.
- All properties must be in compliance with the City's housing and building codes and zoning ordinances at the time of completion.

### **III. Eligible Activities**

Rehabilitation in accordance with the City of Iowa City housing and building codes, the HOME program, and limited soft costs.

### **IV. Eligible Applicants**

Nonprofit and for-profit owners are eligible to apply. Owners must have the capacity and willingness to comply with all HOME requirements, as well as a track record of prompt and effective resolutions to

any housing code issues. Owners must demonstrate that the assisted property is financially viable, as well as insured and maintained throughout the compliance period.

**V. Tenant Eligibility**

During the affordability period (also known as the compliance period) tenants must have a household income at or below 60% of the Area Median Income (AMI) adjusted for household size as established by HUD. Income shall be calculated using the HUD Part 5 definition of income, which includes the gross income of all adult household members that is anticipated to be received during the upcoming 12-month period.

2020 INCOME LIMITS <i>Effective 7/1/20, Adjusted Annually</i>	
Household Size	Maximum Income (60% AMI)
1	\$42,540
2	\$48,600
3	\$54,660
4	\$60,720
5	\$65,580
6	\$70,440

The Owner shall require all tenants to fill out the City provided tenant application forms and provide supporting documentation. Income documentation from third party sources must be current within six months from the date of application, and income must be recertified annually per HUD and City standards. Students are subject to HUD eligibility. Failure to maintain these requirements will result in the applicant repaying City funding.

**VI. Maximum Rents**

During the affordability period, rent may not exceed the HOME Fair Market Rent minus allowances for tenant-paid utilities as established by HUD. If the current rent is lower than this limit, a 5% increase at lease renewal is permissible, with no more than a 2% annual increase thereafter. At no point can rent, with tenant paid utilities, exceed the HOME Fair Market Rent during the affordability period. Rental reports will be due annually to the City.

2020 HOME FAIR MARKET RENTS effective 7/1/2020						
	Number of Bedrooms					
	SRO	Efficiency	1	2	3	4
MAX RENT & UTILITIES	\$528	\$705	\$774	\$1,011	\$1,458	\$1,775

**VII. Financing Terms**

Funds provided by the City will consist of a zero-interest loan (50%) and a grant (50%). The Owner is expected to contribute if the rehabilitation costs exceed the maximum funding amount of \$24,999 per unit. A lien will be recorded on the property until funds have been fully repaid and the affordability period has been completed.

The affordability period referenced above is defined as follows:

Funding provided per unit	Affordable period
Less than \$15,000	5 years
\$15,000-\$24,999	10 years

### **VIII. Eligible Costs**

Eligible costs include, but are not limited to, the following:

- A. Correction of all housing code violations.
- B. Making energy efficiency improvements.
- C. Making general property improvements that will aid in improving the health and safety of the occupants.

Luxury items, materials, upgrades and installations as defined by the City are prohibited.

Funds will be provided as a reimbursement for eligible costs incurred. All construction work will be inspected by Neighborhood & Development Services (NDS) staff prior to payment being approved. Receipts and documentation must be provided to verify costs. Lien waivers will be required. Contractors must be approved by Neighborhood Services prior to project approval.

### **IX. Additional Obligations for Funds**

#### **A. Relocation Review**

If tenants must be displaced to accomplish the rehab work, Owners will work with Neighborhood Services staff to facilitate proper relocation procedures.

#### **B. Historic Review**

If a property is within a historic district, or is determined to be historic, the rehabilitation is subject to review by the Historic Preservation Commission and potentially by the State Historic Preservation Office. Historically eligible properties must be rehabilitated in an appropriate manner as determined by NDS staff.

#### **C. Environmental Review**

The project must receive Environmental Review clearance as defined by the National Environmental Policy Act that includes the Historic Preservation Review referenced above. NDS staff shall complete the Environmental Review; however, no work may commence until the review is completed.

#### **D. Lead-based Paint Hazards**

Work on properties for rehabilitation that were built before 1978 must comply with Title X rules and regulations, as well as applicable state lead paint law. The cost and scope of rehabilitation work determines what inspections and interventions will be required.

#### **E. Energy Efficiency**

Rehabilitation should increase energy efficiency and reduce monthly utility bills. City staff will work with owners to achieve City Housing Rehab energy efficiency standards.

## F. Indoor Air Quality

Radon testing is a requirement for all approved properties. If the results show an elevated level of radon (>4.0 pCi/L), a mitigation system must be incorporated into the rehabilitation project. If a radon mitigation system is required, the associated cost will be a 100% grant, however the cost of the system will contribute to the \$24,999 limit.

For example:

Total Rehabilitation Costs: \$24,999

Radon Testing & Mitigation: \$1,399 – 100% grant

Remaining Costs = \$23,600. \$11,800 as a 0% 10-year loan; \$11,800 grant (forgiven at the end of the compliance period)

## X. Process

- A. Owner must complete the attached program application.
- B. Owner must schedule and complete a free energy audit through Green Iowa AmeriCorps program. There is no charge, even if the Owner does not proceed with the project. The audit must be completed before any work is approved.
- C. NDS schedules a site visit to develop a proposed scope of work limited to the maximum grant amount. If necessary, a lead-based paint visual assessment will be conducted by staff.
- D. The scope of work will be reviewed with the Owner. City staff and the Owner will agree on the scope of work. City assistance shall not exceed \$24,999. Any work over \$24,999 must be paid by the Owner.
- E. Staff completes necessary reviews (Environmental, historic and if any relocation is necessary based on the proposed work).
- F. The construction project will be bid in accordance with required procurement standards. Costs must be reasonable and competitive bids for proposed work may be necessary.
- G. Bids will be reviewed by Neighborhood Services staff and the Owner. The lowest and most responsive bidder will be chosen. The awarded contractor must be approved by the City for the Rental Rehabilitation program.
- H. An agreement will be signed by the City and the Owner. The Contractor will pull permits and begin work after a pre-construction conference is held.
- I. Contractor invoices must be approved by the Owner and Neighborhood Services staff. Payment will be made directly to the Owner.
- J. Upon completion, the Owner and the City will sign off that both are satisfied with the work.
- K. During the affordability period, the owner will provide annual reports on the occupancy and rents charged. The Owner must maintain the property and allow inspections as required.
- L. Owners must maintain project records for a minimum of five years beyond the property's required affordability period. This includes tenant records, income verifications, rents, and inspection records.

This program is funded by the US. Department of Housing and Urban Development. Davis Bacon regulations **do not** apply, however other requirements are in force. City staff will review such requirements with the Owner before an agreement is signed.