

STATE OF IOWA Application for Neighborhood Stabilization Program (NSP2) Funding

Iowa Department of Economic Development

July 3, 2009

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Application ID: 391422814

PROGRAM SUMMARY

On behalf of the State of Iowa, the Iowa Department of Economic Development (IDED) is applying for funding from the federal Neighborhood Stabilization Program (NSP2). This document describes the proposed state program.

The federal NSP2 program is administered by the U.S. Department of Housing and Urban Development (HUD). The purpose of the program is to provide grants to areas hardest hit by foreclosures and delinquencies to purchase, rehabilitate or redevelop homes and stabilize neighborhoods.

Iowa's application covers target areas consisting of neighborhoods in eight designated subrecipient cities: Burlington, Cedar Rapids, Clinton, Council Bluffs, Davenport, Des Moines, Keokuk and Oelwein. The target areas are composed of census tracts that had especially high rates of foreclosures and vacancies. There are 38 Census Tracts in total, with 21 of the tracts in two cities, Davenport and Des Moines. In order to stabilize and improve these areas, the cities will be conducting programs with multiple activities, to include acquisition and rehabilitation of homes, demolition of blighted housing, and redevelopment of existing infill lots and structures. The total amount requested in the application is \$22,742,440.

The eight cities involved in this application have all conducted significant housing programs over the years, much of which are related to the proposed NSP2 activities. Six of the eight communities have received grants under the first round of HUD NSP funding. All have used various other HUD programs, such as the Community Development Block Grant, either with ongoing "entitlement" funds allocated by HUD among the larger cities, or discretionary grants. The larger cities have in-house staff with expertise and years of relevant experience; smaller communities are served by regional Councils of Government that have similar qualifications and capacity.

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1. Need/Extent of the Problem

a. Target Geography

The State of Iowa's application for NSP2 funding proposes neighborhood stabilization activities in eight (8) different cities in Iowa. Four of the cities are entitlement cities, and four are non-entitlement. The four entitlement cities, Des Moines, Davenport, Cedar Rapids, and Council Bluffs, are the cities with by far the most foreclosures in the state. These four cities have a substantial majority (75%) of all of the foreclosures in all of Iowa's entitlement cities combined (6143 foreclosures for the four cities, compared to 8194 in all entitlement cities.)

The four non-entitlement cities are Burlington, Clinton, Keokuk, and Oelwein. HUD data has identified eight (8) non-entitlement cities in Iowa with foreclosure and vacancy scores high enough to be eligible for NSP2 funding. The State, in consultation with those eight communities, and with the goal of targeting the areas in most need, selected these four to be part of this application. These four cities are slightly below entitlement size in population, ranging from approximately 6,700 to approximately 28,000 in population.

In addition to prioritizing among cities, this application also prioritizes within each city. HUD data showed 47 Census Tracts in Iowa that scored 18 or higher on one of the two applicable rating factors. This application includes only 38 of those eligible Census Tracts. The two cities at the top of the list in terms of foreclosure numbers and risk, Des Moines and Davenport, have 21 of the 38 Census Tracts in this application.

In summary, the activities proposed in this application are highly targeted to the cities in Iowa most in need, and additionally to the specific areas within those communities most in need. Individual Census Tracts included in this application are displayed, along with their population and their Foreclosure/Vacancy Score (supplied by HUD), in the following table:

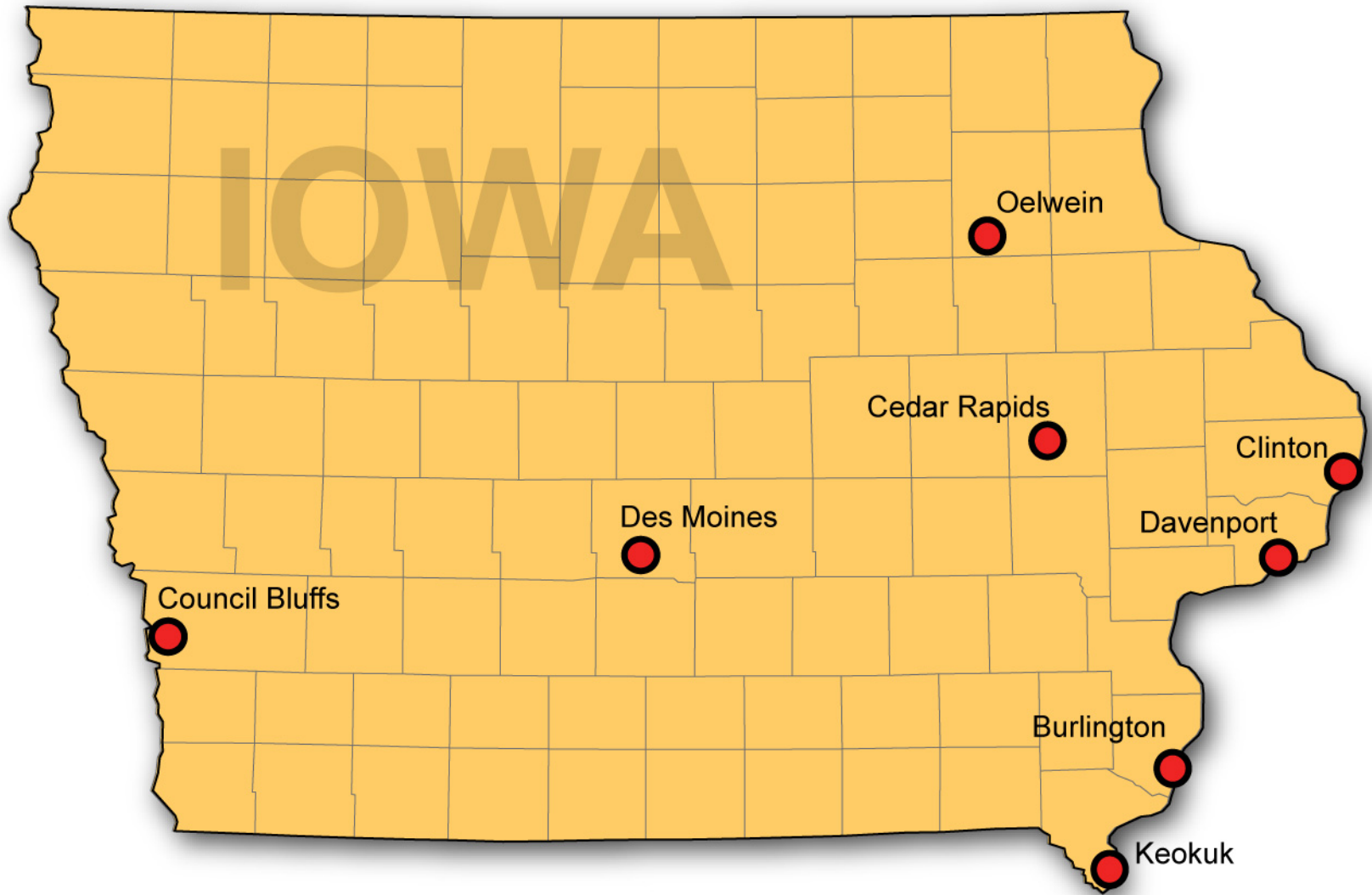
City and Census Tract	Population	Foreclosure / Vacancy Score
Cedar Rapids	120,758	
19113001700	7,137	18
19113002200	2,779	20
19113002500	3,332	20
<i>total target area</i>	<i>13,248</i>	
Council Bluffs	58,268	
19155030700	3,335	19
19155030900	1,709	18
<i>total target area</i>	<i>5,044</i>	
Davenport	98,359	
19163010600	2,554	20
19163010700	1,878	20
19163010800	3,263	19
19163010900	2,085	19
19163011300	3,842	18
19163011400	2,809	20
<i>total target area</i>	<i>16,431</i>	

City and Census Tract	Population	Foreclosure / Vacancy Score
Des Moines	198,682	
19153000500	4,837	18
19153001100	5,326	19
19153001200	3,149	19
19153001700	2,532	18
19153002100	4,790	18
19153003900	7,898	16
19153004200	2,031	19
19153004300	5,745	18
19153004400	4,278	18
19153004501	3,885	18
19153004602	6,527	18
19153004800	3,521	18
19153004900	2,201	19
19153005000	3,970	19
19153005200	3,576	19
<i>total target area</i>	<i>64,266</i>	
Burlington	26,839	
19057000200	3,437	19
19057000300	4,524	19
19057000400	4,361	20
19057000500	5,109	18
<i>total target area</i>	<i>17,431</i>	
Clinton	27,772	
19045000100	3,262	19
19045000300	5,531	19
19045000700	4,075	17
<i>total target area</i>	<i>12,868</i>	
Keokuk	11,427	
19111990800	2,457	19
19111990900	2,421	19
19111991000	2,521	19
<i>total target area*</i>	<i>7,399</i>	
Oelwein	6,692	
19065980400	3,236	18
19065980500	3,768	18
<i>total target area*</i>	<i>7,004</i>	

* Census tracts extend outside of City boundaries

The average Foreclosure Score for all of the Census Tracts in this application is 18.66.

IOWA NSP2 SUBRECIPIENT CITIES



The table below shows estimates of the number and rate of foreclosures, and vacancies within the target area census tracts among the designated subrecipient cities. Although the target areas comprise only about 5% of all housing units in the state, the estimated number of foreclosures in the combined target areas is approximately 10% of total foreclosures statewide. Foreclosure rates in the target areas are all well above the rate for the state as a whole. Likewise, the rate of vacancies in the target areas is almost triple that for the state (9.2% vs 3.5%); the number of vacancies in those areas add up to over 12% of the total state number of vacancies.

TARGET AREA FORECLOSURES AND VACANCIES

	Total Housing Units	Estimated Number Of Foreclosures	Estimated Foreclosure Rate	Total 90-Day Vacant Residences	Estimated 90-Day Vacancy Rate
Cedar Rapids	5,112	173	5.4%	800*	15.6%*
Council Bluffs	2,022	66	9.4%	178*	8.8%*
Davenport	5,925	165	8.7%	886*	14.9%*
Des Moines	23,244	1,218	7.8%	1,473*	6.3%*
Burlington	7,249	184	8.2%	701*	9.7%*
Clinton	5,389	134	10.0%	413*	7.7%*
Keokuk	3,230	28	10.6%	369*	11.4%*
Oelwein	2,953	60	8.2%	229*	7.8%*
Total for Target Areas	55,124	2,028	7.8%	5,049*	9.2%*
Total for State	1,150,197	21,678	3.5%	40,989	3.5%

HUD estimates provided for NSP program

*Asterisked cells are from HUDuser.gov dataset from March 31, 2009. Other data in Table is from June of 2008 HUD-provided data.

b. Market Conditions and Demand Factors

(1) Absorption of abandoned and foreclosed properties

Given current stagnant market conditions within the target areas, it is very difficult to project the rates at which all abandoned or foreclosed properties would be acquired without NSP-2. For the most part, there is little or no population growth nor job growth expected in the short run that would fuel a rapid turnover of inventory, especially assuming blighting conditions and disrepair persist in the target areas. Still, among communities able to quantify or otherwise assess the current and/or projected market with/without NSP 2, there is an expectation that local markets will be able to absorb the projected units provided under their proposed programs.

Each subrecipient city was asked to provide further information relevant to this section. Below are excerpts of their responses which should serve to illustrate conditions across the Iowa target areas.

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- **Cedar Rapids** Over 5000 residential parcels were affected by flooding in the disaster of June, 2008, and an estimated 1300 properties are likely to be demolished either due to structural damage or in order to protect against future flood events. Because of this there will continue to be a demand for replacement housing for both renters and owner-occupants.
- **Council Bluffs** Since 2000, an average of 245 new units have been built per year. The creation of 40 new single family homes over three years by NSP2 activities amounts to only 5% of the new market and could readily be absorbed. Time on the market averages about six months for both new and existing homes. The rate of new construction has gone down significantly this year and the number of new units for sale fell by 38%. New construction sales average 12 per month. Given production rates remaining the same and even if all homes were produced at the same time, it would take an estimated six months for the market to absorb the units.

An average of 128 rental units have been constructed per year since 2000 in Council Bluffs. The addition of up to 55 NSP2 rental units would comprise 14% of total new units. The proportion of units only constitutes 4% of newly constructed units since 2000 and would be absorbed quickly since other affordable, quality units are currently not present in the target area. The strong demand for affordable rental units is further evidenced by current waiting lists of 465 people for three affordable complexes in Council Bluffs. Additionally, there are over 627 active participants in the City who utilize section 8 vouchers.

- **Davenport** From city research, a total of 133 properties were determined to have been foreclosed on during the 2007 and 2008 time period for the target area. Additionally, there are 65 known abandoned single-family homes in the target area. Of the 198 properties, 92 have been sold within the last two years. Therefore, the absorption rate is 3.83 units per month, if Davenport does not receive this funding. Given this absorption rate, the target area has 52 months of inventory, assuming no new foreclosures or abandonments.
- **Des Moines** Currently, there is a glut of REO property on the market. Examining data from the 4th Quarter of 2008 and the 1st Quarter of 2009, we found 452 properties foreclosed on in the target area. We found that approximately 120 of those properties have resold, which creates an absorption rate of 20 units per month. Assuming that no additional REO properties become available, it would take 22 months to sell the entire inventory of homes foreclosed on during this six month period, assuming that no previously foreclosed or additional foreclosed homes are on the market.

NON-ENTITLEMENT CITIES

- **Burlington** According to the Board of Realtors, Burlington has a unique market, in which there is a low market demand for homes, and a large supply of vacant homes that have

fallen into disrepair. According to the Burlington Housing Assessment, over 7.4% of the total housing units within Burlington City Limits were reported vacant, and according to the MLS 40% of homes on the market are vacant. The abandonment rate has led to an over abundance of blighted structures in our neighborhoods.

- **Clinton** Although the city of Clinton as a whole has seen some economic growth in the last couple of years the target area is unlikely to absorb abandoned and foreclosed properties through increased housing demand because of this economic growth. After the homes have been bought and rehabbed through the NSP2 grant, a reasonable projection of the extent to which the market in the target area is likely to absorb the housing stock includes the following:

168 listings available. Last month 21 properties sold and closed.
21 properties sold x 12 months = 252
252 divide it by 52 weeks = 4.85
Divide 168 by 4.85 = 35 weeks to sell the current housing inventory

- **Keokuk** High unemployment, low socioeconomic status, poor quality housing stock, and few viable job growth opportunities on the horizon make it unlikely that the market in the target area will absorb abandoned and foreclosed properties during the next three years. It is unlikely that the City of Keokuk will experience an influx of residents soon as there are no viable job prospects on the horizon.
- **Oelwein** According to local real estate professionals, Oelwein has a market absorption rate of 70.65 weeks. Currently there are 65 properties for sale in Oelwein, of which 6 (10.83%) are in foreclosure. We do not expect that the market will absorb these properties any faster because of increased housing demand during the next three years. Given the current economic climate, it is anticipated that foreclosures and abandonments will continue over the course of this recession at a constant rate.

(2) Over-building, over-valuation of housing, or loss of employment as critical factors

Loss of employment and income is the most common factor causing abandonment and foreclosure in the designated subrecipient cities. Manufacturing has been an important part of the economic for years. The manufacturing labor force in the target areas have historically been concentrated in old-line, low-skill jobs that have been steadily declining. Below are the unemployment rates for 1999, 2008, and May of 2009. While the rates of unemployment had been relatively low until recently, they have doubled or more in each community since 1999. Unemployment within each of the cities target areas is undoubtedly much higher than that shown for the cities.

Unemployment Rates

	1999	2008	May-09
CDBG ENTITLEMENT CITIES			
Cedar Rapids	2.0%	4.0%	5.4%
Council Bluffs	2.4%	4.1%	4.1%
Davenport	3.7%	4.4%	6.6%
Des Moines	2.5%	4.7%	6.2%
NON-ENTITLEMENT CITIES			
Burlington	3.7%	6.1%	7.0%
Clinton	4.4%	4.5%	6.9%
Keokuk (Lee County)*	4.0%	6.5%	8.3%
Oelwein (Fayette County)*	3.6%	5.3%	7.1%

* Figures available at county level only.

Source: US Bureau of Labor Statistics, Iowa Workforce Development

A further indication of the employment and income situation is the poverty rate. Below are the number and percent of individuals within each of the cities' target areas that are at or below poverty income levels.

Poverty Rates In Target Areas

	Individuals Below the Poverty Level	Percent of Population Below Poverty Level
Cedar Rapids	1,824	13.77%
Council Bluffs	957	18.97%
Davenport	4,817	29.32%
Des Moines	10,106	15.73%
Burlington	2,888	16.57%
Clinton	1,634	18.58%
Keokuk	1,092	14.76%
Oelwein	884	12.62%

Source: US Census Bureau, 2000 Decennial Census

CDBG ENTITLEMENT CITIES

- **Cedar Rapids** The neighborhoods most at risk are established core neighborhoods developed near the turn of the twentieth century, and the valuation has remained fairly constant over time. Loss of employment is a greater factor contributing to foreclosure and abandonment in Cedar Rapids. In keeping with the national trend, Cedar Rapids, experienced an increase in its unemployment rate during the last quarter of 2008 and the first quarter of 2009.
- **Council Bluffs** Due to marginal credit histories, residents in the target area were especially solicited for subprime loans and other non-traditional mortgage products. This has resulted in a high number of foreclosures occurring in the identified tracts.

- **Davenport** The US Census estimates that since 2000, the target area has lost 180 businesses. Over 90% of the businesses in the target area employ 10 or fewer persons. It is estimated that anywhere from 900 – 1500 jobs have been lost since 2000 in the target area.
- **Des Moines** The majority of foreclosed homes in the area are a direct result of job losses. There are approximately 4,000 more unemployed people in April 2009 than there were a year earlier. Many of these people are having difficulties finding new jobs and are falling behind on their mortgages. At a three day job fair held last week for a new Bass Pro Shop in the area, over 2,000 applicants interviewed for 350 positions.

NON-ENTITLEMENT CITIES

- **Burlington** A study of workforce characteristics, released in March 2009 by the Greater Burlington Partnership, stated that manufacturing jobs employ over 14% of the working class of Burlington. Three of our largest manufacturing industries within the community have laid off workers in the past year and a half, and more are scheduled within the next month. Many homeowners are losing their homes to foreclosure as a result of high interest rate loans, and they cannot afford to pay their mortgage.
- **Clinton** The loss of employment has been the most critical factor in causing the abandonment and foreclosure in the targeted areas.
- **Keokuk** As evidenced by the number of foreclosed and abandoned residential properties in the City of Keokuk, and the lack of available quality homes for sale, it can be determined that over-valuation of housing and over-building is not a critical factor for Keokuk. However, loss of employment is a critical factor, as reported above, at least one major employer, Metzeler Automotive, has cut its workforce from a high of 2,000 employees to 300 workers recently. A planned wind tower manufacturing facility that was set to locate in Keokuk will not be built. That would have brought in excess of 400 jobs to the community.
- **Oelwein** The most critical factor causing abandonment and foreclosure is the overabundance of undesirable housing. Much of the housing stock is aging (41.1% built prior to 1939) and in a state of disrepair. Local real estate professionals point to a significant drop in values for older, two-story homes in the area.

(3) Income characteristics and housing cost burden

The table below shows the median household incomes for the eight target areas in relation to the median incomes for their respective counties. In the Entitlement communities, the target area median income ranges from 50% to 75% of the county medians. In the Non-Entitlements, the rates are somewhat higher; however the county median incomes are all lower than those for the Entitlement cities.

Median Household Income for Target Areas and their Counties - 2000

State of Iowa		\$40,443		
City	County	County Median Income	Target Area Median Income	Target Area Median Income as % of County
CDBG ENTITLEMENT CITIES				
Cedar Rapids	Linn	\$ 48,597	\$ 36,475	75.1%
Council Bluffs	Pottawattamie	\$ 40,722	\$ 25,086	61.6%
Davenport	Scott	\$ 45,332	\$ 22,865	50.4%
Des Moines	Polk	\$ 48,413	\$ 32,093	66.3%
NON-ENTITLEMENT CITIES				
Burlington	Des Moines	\$ 38,529	\$ 29,182	75.7%
Clinton	Clinton	\$ 38,707	\$ 26,848	69.4%
Keokuk	Lee	\$ 37,192	\$ 27,916	75.1%
Oelwein	Fayette	\$ 33,874	\$ 28,051	82.8%

Source: US Census, 2000 Decennial Census

The table below shows average percent of income expended for housing among renter and mortgaged households at 50%, 80% and 120% of target area median household income. The table indicates that cost burden is quite high among lower income residents, especially among owner-occupied mortgaged households at or below 50% of median income.

Housing Cost Burden Among Target Areas

	Median Income	50% Renter Cost Burden	50% Mtge Cost Burden	80% Renter Cost Burden	80% Mtge Cost Burden	120% Renter Cost Burden	120% Mtge Cost Burden
CDBG ENTITLEMENT CITIES							
Cedar Rapids	\$36,475	31.50%	48.91%	19.69%	30.57%	13.12%	20.38%
Council Bluffs	\$25,086	39.81%	68.68%	24.88%	42.92%	16.59%	28.62%
Davenport	\$22,865	45.66%	77.41%	28.54%	48.38%	19.03%	32.26%
Des Moines	\$32,093	40.37%	57.76%	25.23%	36.10%	16.82%	24.07%
NON-ENTITLEMENT CITIES							
Burlington	\$29,182	35.88%	50.60%	22.42%	31.62%	14.95%	21.08%
Clinton	\$26,848	33.57%	49.34%	20.98%	30.84%	13.99%	20.56%
Keokuk	\$27,916	28.63%	51.15%	17.89%	31.97%	11.93%	21.31%
Oelwein	\$28,051	34.85%	47.97%	21.78%	29.98%	14.52%	19.99%

Source: US Census Bureau, 2000 Decennial Census

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- **Cedar Rapids** All targeted census tracts are predominately low-to-moderate income. Based upon 2000 Census data, 45.4% of all households with incomes at or below 50% of

the area median income are housing cost-burdened, while 21.2% of households at or below 80% of the area median income are cost burdened.

- **Council Bluffs** Home owners in this area who spend more than 30% of their income on housing amounts to 36% of total households as compared to 21% in Council Bluffs overall. Additionally, 10% of home owners in the target area spent over 50% of their income on housing in 2000. It is likely this portion of the population has increased significantly with the advent of non-traditional mortgages since 2000. The rate of cost-burdened renters is the similar for both the target area and City at about 36%.
- **Davenport** In the targeted area, forty percent (40%) of households with incomes below 120% AMI are burdened by the cost of their housing. Of these, a significant portion at forty percent (40%) of households earn below 80% of the area median income. Households earning less than fifty percent (50%) of the area median household income (\$18,621) comprise a little over one-third (35%) of those with a cost burden.
- **Des Moines** Des Moines target areas in general have among the highest housing cost burden shown in the above chart, with 77% of income going to housing costs among mortgaged households at the 50% of median income.

NON-ENTITLEMENT CITIES

- **Burlington** The median value of homes within our targeted neighborhood ranges between \$48,100-\$57,300. According to the Burlington Housing Assessment there are approximately 3,353 households with 2-4 members earning 80% or less of median income in Burlington, with 770 of those families earning less than \$14,999 annually.
- **Clinton** The target area in Clinton had a median household income in 2000 of \$26,848, less than 70% of the county median. Almost half of income would go for housing among mortgaged households at 50% of the median household income.
- **Keokuk** According to the 2000 Census, 33.8% of the families in Keokuk rent the home where they live. Of those families who rent, 26% pay 35% or more toward their housing expenses. This is considerably over the 30% of income standard.
- **Oelwein** Nearly half of income would go for housing among mortgaged households at 50% of the median household income.

(4) Relevant social, governmental, educational, or economic factors

Characteristics of low income, poverty rate, and low educational attainment are common among the target areas within this application. As with much of Iowa, the age of housing is a significant item. In 23 of the 38 tracts included in the combined target areas, the 2000 Census shows that the median year of construction is 1940 or earlier.

Another factor is the use of subprime loans. The table below shows the number of “high-cost” loans made from 2004 to 2006, according to Home Mortgage Disclosure Act data. High-cost loans are defined as three percentage points or more above benchmark Treasury securities.

The data shows that almost half the mortgages made within recent years within the target areas are considered high-cost. This figure is twice that for the state as a whole.

Target Area High Cost Loans

	Total Housing Units	Total High-Cost HMDA Loans, 2004 to 2006	Estimated High-Cost Loan Rate
Cedar Rapids	5,112	448	34.5%
Council Bluffs	2,022	159	56.0%
Davenport	5,925	393	51.4%
Des Moines	23,244	2,929	46.6%
Burlington	7,249	409	45.0%
Clinton	5,389	314	58.0%
Keokuk	3,230	63	58.9%
Oelwein	2,953	139	47.1%
total target areas	55,124	4,854	46.3%
total state	1,150,197	59,493	23.6%

HUD estimates provided for NSP program

CDBG ENTITLEMENT CITIES

- **Cedar Rapids** Cedar Rapids experienced a catastrophic flood in June 2008 that has exacerbated the overall foreclosure risk in the community. As homeowners stretch their resources to rebuild, they are less able to afford their housing payments. The combination of FEMA, CDBG and other disaster aid has helped considerably, but housing budgets remain severely constrained, especially among lower income households. Additionally, within the past 30 days, Cedar Rapids' largest owner of rental property has had over 200 units of rental housing foreclosed upon by lenders. These properties are currently in receivership.
- **Council Bluffs** Council Bluffs had among the highest rates of high-cost loans, 56%, as indicated on the above chart.
- **Davenport** Public Safety records indicate that the target area had 4,249 calls that required police, fire or ambulance response in 2008. The target area is within the 3rd Ward, where the 3rd Ward Action Team (3AT) has identified crime, vacancy, neighborhood improvements, and rehabilitation assistance as the most troubling factors facing the neighborhood. Many of the families within the targeted boundary are eligible to receive income assistance and many are near the poverty line. In 2008, the elementary and intermediate schools serving the target area had rates of 82% and 86%, respectively, for students receiving free or reduced lunch.
- **Des Moines** The estimated proportion of high-cost loans made in the Des Moines target area was 47% of all loans made from 2006 to 2008.

NON-ENTITLEMENT CITIES

- **Burlington** Many residents hold manufacturing jobs, and three of the largest manufacturing employers have laid off hundreds of workers. According to a 2009 Iowa Workforce Development Laborshed Study, 1,080 unemployed individuals are willing to accept employment if it becomes available and 758 people are currently considered underemployed. Many of the people entering the work force do not hold a college degree, or even a high school diploma, making it harder to obtain well paying jobs. According to the Iowa Department of Education, Burlington also holds the highest high school dropout rate in the state at nearly 8.6%.
- **Clinton** There continues to be fewer manufacturing jobs now than in 1980, due in part to the recession of the early 1980s, which adversely affected the traditional manufacturing industries as a whole. While other areas have somewhat recovered by diversifying their economic base to lessen the impact of the loss in manufacturing jobs, today total employment has decreased in the City of Clinton. The Clinton School Board indicates 52% of students are in the free and reduced lunch program. The state average is 32%.
- **Keokuk** The overall decline in economic vitality in the City of Keokuk is a contributing factor to neighborhood instability. At this time, 70 percent of the students in the Keokuk Community School District qualify for free and reduced lunch prices.
- **Oelwein** Census figures indicate that only 12.55% of the working population in the target area holds a bachelor degree or higher.

(5) NSP2 activity categories selected to stabilize the target areas

A complete chart of activities by NSP2 categories is shown in Section 3.a. Almost all funds are accounted for among the three activities of Acquisition/Rehabilitation, Redevelopment, and Demolition. Almost half of the total budget is devoted to Acquisition/Rehabilitation. All eight communities plan to use this activity in their respective target areas, in recognition of the need for habitable units and the opportunity to upgrade the existing housing stock. Redevelopment programs are planned among five cities, in order to fill in existing and newly created lots. And five of the cities also plan to demolish blighted housing units, as a means to generally improve neighborhoods, provide infill building lots, and raise the value of remaining homes.

CDBG ENTITLEMENT CITIES

- **Cedar Rapids** In Cedar Rapids' target area, acquisition and rehabilitation of properties for sale or rental is most likely to stabilize the targeted neighborhood. There is a need to provide a range of affordable housing options to offset those units lost as a result of the 2008 flooding. A combined approach of acquisition and rehabilitation for sale to low-to-moderate-income homebuyers, and acquisition and rehabilitation for rental to low-income renters by a qualified non-profit partner would provide the best options for the Cedar Rapids market.
- **Council Bluffs** The NSP2 activities will provide some balance into the unit mix available with the addition of at least 40 new, well constructed single family homes within target area. Additionally, removal of blighted properties and construction of new rental units provide

options to existing residents for affordable units that will replace dilapidated, aged rental units. Of those rental units recently built, only about 1/4 of the units were affordable and none of the new projects were located in the targeted area so this activity addresses this gap.

The number of permits issued for one and two family units exceeded lots created by 712 during the period from the year 2000 to 2008. This indicates that infill lots were absorbed during this time period and that there will be likely fewer infill lots available in the future.

- **Davenport** The Acquisition/Rehab/Housing Counseling NSP activity will address the low absorption rates and high number of single-family abandoned properties in the target area. It will also help address homeownership for income eligible households. Redevelopment NSP activity will help spur further development and financial investment, increase affordable housing for households at or below 50% MFI, and expand job opportunities through mixed-use development.

Infill NSP activity will create affordable homeownership opportunities for income eligible homebuyers and help revitalize the target area through construction of new housing.

- **Des Moines** Our plan focuses on two areas, improving properties in neighborhoods where the private market does not function and creating quality housing options for individuals and families who have experienced job losses and foreclosure. We plan to meet these objectives by subsidizing single-family rehabilitation of homes in distressed neighborhoods and the creation of quality affordable multi-family housing.

NON-ENTITLEMENT CITIES

- **Burlington** The City of Burlington plans to eliminate over 32 blighted homes from our targeted neighborhood through demolition with our current demolition funds and NSP2 funds. Burlington has a low projected market absorption rate, and based on declining economic condition, population, and lack of well paying jobs the best way to stabilize neighborhoods within the targeted area is to demolish vacant homes that have fallen into disrepair.

The Burlington Housing Needs Assessment Plan two top goals are to focus their efforts on the rehabilitation of existing housing units into affordable, safe, and decent housing for low to moderate-income families, and to continue to identify and remove dilapidated housing units that are detrimental to occupancy and the aesthetic value of neighborhoods.

- **Clinton** The NSP2 project activity categories that are most likely to stabilize the target areas include purchase-rehab-and resale, and provision of subsidized financing to buyer owner-occupant households. No less than 26% of buyer households will qualify at the 50% AMI threshold. In addition, all buyers will receive an 8 hour counseling course provided by the Eastern Iowa Regional Housing Authority (EIRHA) Homeownership/Housing Development Specialist or the Iowa State County Extension Service. The EIRHA Homeownership Program has identified a lack of available housing for families that are at or below \$100,000. The city of Clinton Housing Authority Section 8 Housing Choice Voucher waiting list is currently at 830 families with an anticipated wait of 18-24 months.

- **Keokuk** With the assistance of three local banks, the City has identified 27 foreclosed properties and another 20 properties that are abandoned. The City of Keokuk plans to tear down 12 blighted homes and rebuild new homes on five of those property addresses. Another 10 homes will be rehabilitated and the remaining seven lots will be sold to the adjoining neighbors. The City of Keokuk administration believes that the combination of these three activities will result in the most positive impact for these identified neighborhoods within the community.
- **Oelwein** As the primary problems with housing stock in Oelwein stem from an overabundance of blighted or uninhabitable properties and a lack of decent, affordable housing, the City has determined that the following NSP 2 activities are most likely to stabilize target areas: (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, (D) Demolish blighted structures, and (E) Redevelop demolished or vacant properties as housing. The City will also establish financing mechanisms for low- and moderate-income homebuyers to ensure successful homeownership.

2. Demonstrated Capacity and Relevant Organizational Staff

a. Past Experience of the State and Subrecipient Cities

The Iowa Department of Economic Development (IDED) is the state agency which administers the major HUD grants of NSP1 (\$21.6 million), and CDBG (\$26.2 million) and HOME (\$11.0 million) for Non-Entitlement areas. It also is the recipient of nearly \$800 million in CDBG 2008 disaster recovery funds. The IDED has run these programs since their inception, and has extensive staff expertise and experience in all facets of each program. Each year IDED solicits applications, awards grants, provides technical assistance, and monitors completion of dozens of local programs involving NSP-eligible and related community development activities.

The table below shows the recent presence of NSP and related HUD grant activities among the designated subrecipient cities.

HUD CPD PROGRAMS ACTIVE IN SUBRECIPIENT CITIES

	NSP1	CDBG	HOME	CDBG Disaster Grant
CDBG ENTITLEMENT CITIES				
Cedar Rapids	X	X	X	X
Council Bluffs	X	X	X	
Davenport	X	X	X	X
Des Moines	X	X	X	X
NON-ENTITLEMENT CITIES				
Burlington	X	X	X	X
Clinton		X		
Keokuk		X		
Oelwein	X	X		X

Six of the eight communities have received NSP1 grants from IDED, and their programs are underway. The CDBG Entitlement Cities all have in-house community development units that have been running HUD CPD programs for years. The non-entitlement cities have each been active in the IDED small cities programs over the years. In these cities, in-house capabilities are often augmented by assistance from their respective Councils of Government (COG's).

The organizational capacity and staff skills and experience at the state, city, and COG levels are comprehensive with respect to carrying out NSP activities. Staffs have all appropriate skills in research, negotiating methods, fund leveraging, holding and maintenance efficiencies, grant writing, construction design and management, relationships with area contractors, extensive knowledge of federal requirements and processes (Section 106, Davis-Bacon, LBP, Environmental Assessment, etc.), underwriting, and marketing.

Below is a discussion with some examples and illustrations of experience among the IDED and cities in activities related to NSP.

- 1) **City and Regional Planning** – All the cities maintain comprehensive plans, zoning ordinances, and building codes, as well as a variety of specialized plans for such topics as transportation, housing needs assessment, and neighborhood redevelopment. IDED has been involved periodically in reviewing these plans, especially as they relate to applications for community development and housing funds. Both the IDED and entitlement cities maintain plans and action plans required for each of their CPD grants.

All cities are active in their respective regional planning agencies, collectively known as councils of government in Iowa. There is often collaboration on running programs between COG's and the cities, especially among the non-entitlement cities, and also more recently for regional approaches to disaster relief.

Des Moines has created 23 neighborhood action plans since the start of their Neighborhood Revitalization Program in 1989. These plans address issues such as housing, land use and zoning, commercial development, crime, and infrastructure.

The City of Burlington Development Department has developed a Neighborhood Action Plan to address the issue of vacant and blighted structures in the community.

The Southeast Iowa Regional Planning Commission completed a Housing Needs Assessment for the City of Keokuk in 2008. The Assessment highlights problems of an aging and relatively poor-condition housing stock, and a relatively low income population.

- 2) **Acquisition and Disposition of Foreclosed Real Estate** – The subrecipient cities have a substantial history of acquisition for rehab or demolition, using HUD CPD programs along with local, state and private funds.

During FY 08, Council Bluffs improved the living environment by removing four blighted properties in an existing neighborhood. The City also assisted with the adaptive re-use of a historic industrial warehouse creating 36 LIHTC units costing \$12 million.

In Davenport, a total of 21 properties have been acquired, rehabbed, and resold in the past 24 months, with the majority being previous foreclosures.

Burlington identified over 100 homes that are currently vacant and blighted throughout the community. In the past 18 months, fourteen (14) residential structures have been removed.

Oelwein plans to utilize NSP1 funds to acquire 19 properties for demolition or rehabilitation.

- 3) **Rehabilitation of Housing** – Housing rehabilitation has long been a significant portion of the Iowa small cities CDBG program, as well as a prominent part of the programs for the four entitlement cities involved in this application. Each of the non-entitlement cities has received recent competitive CDBG grants for housing rehabilitation.

Cedar Rapids offers an owner-occupied housing rehabilitation program that assists 35-50 owner-occupants per year.

Council Bluffs has assisted 30 single-family owner-occupants to remain in their homes by providing loans and grants for housing rehabilitation, emergency housing repairs and barrier removal improvements for special needs households.

Davenport and local partners have rehabilitated over 150 homes in the past 24 months. This has been accomplished with several types of loan/grant “products”, appropriate to low – and moderate-income homeowners, new homebuyers, and rental properties.

In 2008, Des Moines administered over \$3.2 million in housing rehabilitation funds assisting 221 low-income households through its HOME and CDBG programs. The City has also administered the Jumpstart Flood Recovery Program, which has used state and 2008 CDBG disaster funds to assist over 150 residents to date.

Clinton, through the East Central Intergovernmental Association (ECIA) has completed rehabilitation of over 40 houses within the City of Clinton since 1997. Currently ECIA is rehabbing 14 additional houses.

Oelwein was awarded CDBG funds in 2005 for the rehabilitation of 10 owner-occupied homes.

- 4) **Redevelopment of Vacant Property** – Council Bluffs participated in the construction of a new 80 unit mixed income elderly project on a 2 acre urban, inner city site.

Davenport has provided financing assistance to owners/developers of vacant property, typically redeveloped into housing or mixed use, for over 20 years. In the past 24 months, the City has been involved with 5 projects in various phases of ongoing development totaling over 150 units.

In the past 24 months, Oelwein has redeveloped 5 vacant lots which resulted in 3 new houses, one of which is a Habitat for Humanity home.

- 5) **Program Marketing and Management of Waiting Lists for Potential Residents** – There is extensive experience among the subrecipient cities and their partners in marketing and management of waiting lists, as evidenced by the ongoing administration of housing programs under CDBG, HOME, CDBG disaster recovery, and now NSP1.

For example, Davenport currently offers more than 10 programs that serve residents and potential residents through multiple means of marketing. Both the City's housing rehabilitation and public housing offices have managed waiting lists, with substantial numbers of interested households (over 200).

- 6) **Accessing Operating and Investment Capital** – Subrecipient cities are quite used to the necessity to combine federal program funds with substantial funds from other public and private sources.

For example, for every \$1 in CDBG funds received by Council Bluffs, another \$2 in direct program income and other private and public resources have been leveraged to assist in addressing the needs identified in the City's Consolidated Plan and FY 08 Annual Action Plan. Of the total funds leveraged in FY08, \$884,653 was funds leveraged by the City and \$1,151,609 was funds leveraged other partners.

And in Davenport, staff has developed the capacity to underwrite projects to leverage the maximum investment from available sources. Examples include acquisition/rehab/resale projects for homebuyers that tap into State Historic grants, EDI funding, local foundations, State Housing Trust Funds, Tax exemption, City lien forgiveness (weed cutting and board up fees), and HOME financing, as well as for larger rental projects that have included over 10 layers of funding and significant negotiation to get to successful project financing.

- 7) **Working Productively with Other Organizations** – At the state and local level, very little would get done without the involvement of numerous other public and private organizations. The IDED and the subrecipient cities have been able form numerous working partnerships over the years for housing and community development.

For example, the City of Des Moines and two Distressed Neighborhoods in their target area were selected for a pilot program under the Thrivent Builds Neighborhoods program. The City organized a coalition consisting of 22 local agencies and 7 departments of City government to create an action plan for the two neighborhoods. The plan and coalition led to the City receiving a \$1 million grant from Thrivent to implement the plan, one of only two awards made nationwide.

In the smaller city of Burlington, the City partnered with Christian Action, Inc., Burlington Housing Partnership, Inc., Low Rent Housing of Burlington, Iowa, and local financial institutions to assist first time homebuyers to purchase and rehabilitate homes through a grant from the Iowa Finance Authority.

b. Management structure

The management structure for the Neighborhood Stabilization Program (NSP) falls under the Community Development Division of the Iowa Department of Economic Development (see organizational chart). The Division operates a variety of housing and community development programs including the Community Development Block Grant (CDBG) program, the HOME program, the Neighborhood Stabilization Program, the Downtown Resource Center which includes the Main Street Iowa program, a Sustainable Communities Program, the City Development Board, Neighborhood Resource Center, Investment Management activities and

the Iowa Tourism Office. The Division also has a number of support sections including planning, database operations, and monitoring and compliance areas. These program staff will also be available to work with the NSP staff to support the program.

Tim Waddell is the Community Development Division Administrator and supervises the Team Leaders within the division. The Team Leaders provide direct line supervision to the program staff. Cali Beals is the Division Coordinator and provides day to day operational support to the division's personnel and programs. The NSP Manager is Elyse Shindelar. She is directly supervised by Cali Beals, Division Coordinator. Ms. Shindelar provides the day to day program administration of NSP including providing technical assistance, monitoring and compliance functions serving the twenty three (23) subrecipients of the State's NSP1 Program.

All eight prospective subrecipients of the State's NSP2 Program are Iowa cities with typical city government structures including housing and community development departments and staff. Four of the cities are HUD entitlement cities: Des Moines, Council Bluffs, Cedar Rapids and Davenport. The other four cities are mid-sized Iowa communities who also have had experience working with HUD's CDBG and HOME programs in the past: Burlington, Keokuk, Clinton and Oelwein.

The Iowa Department of Economic Development and its predecessor agency, the Office for Planning and Programming, have operated a successful Small Cities CDBG program since 1982. Attached is a press release from the Iowa Governor's Office announcing the award of NSP1 funds by the Iowa Department of Economic Development earlier this year.

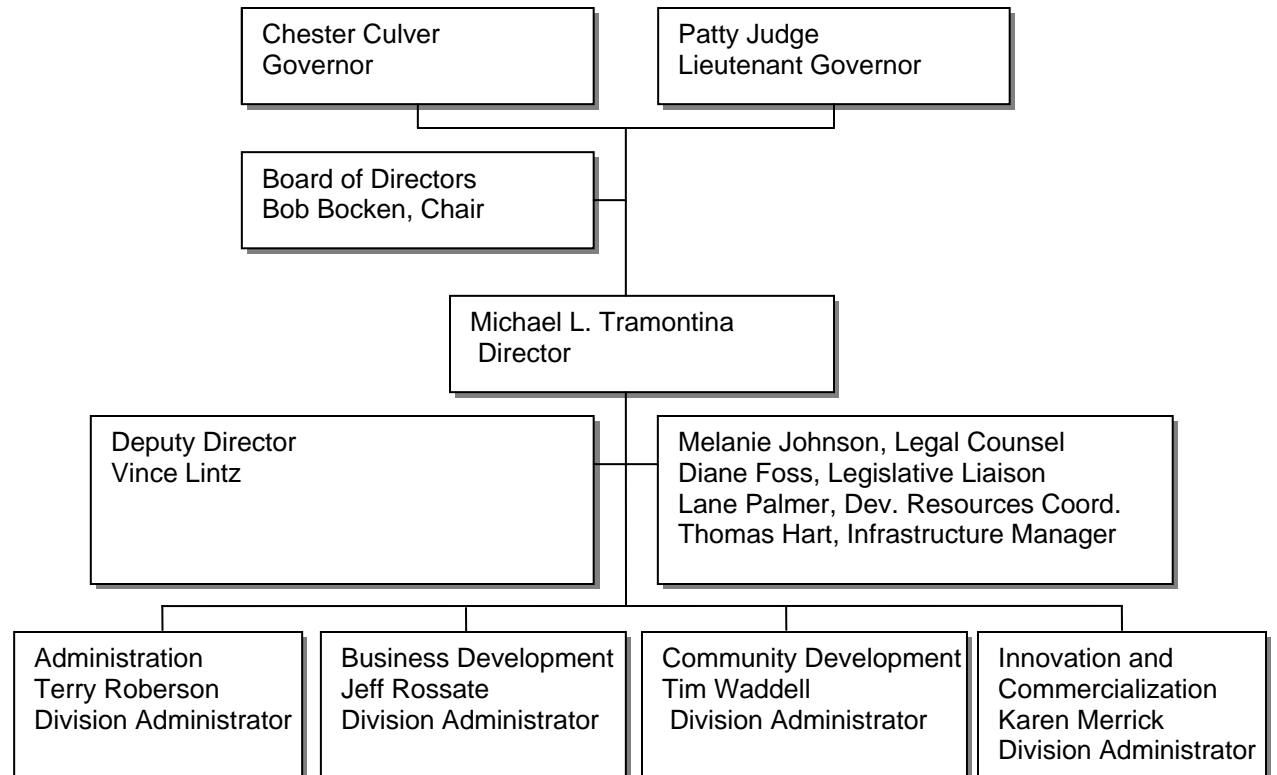
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**3RD PARTY REFERENCE OR NEWS ARTICLE FOR IOWA DEPARTMENT OF
ECONOMIC DEVELOPMENT**

**OFFICE OF THE GOVERNOR
Governor Chet Culver ★ Lt. Governor Patty Judge**

*FOR IMMEDIATE RELEASE
March 27, 2009*

*Contacts:
Troy Price, Governor's Office
(515) 281- 0173*

*Erin Seidler, Dept. of Economic Development
(515) 242-4805*

**GOVERNOR CULVER ANNOUNCES AWARDS TO 23
COMMUNITIES UNDER NEIGHBORHOOD
STABILIZATION PROGRAM**

DES MOINES – Today, Governor Chet Culver announced more than \$20 million in awards to 23 communities from the Neighborhood Stabilization Program (NSP). This program provides emergency assistance for redevelopment of abandoned or foreclosed homes as called for in The Housing and Economic Recovery Act of 2008. The State of Iowa has been awarded \$21,607,907 in NSP funds.

“Iowans statewide deserve affordable, accessible housing, and the funds available through the Neighborhood Stabilization Program will have an immediate effect on dozens of communities,” said Governor Culver. “Home ownership is an essential part of the American dream. Stable, growing neighborhoods are key to making this dream a reality for Iowa families.”

The NSP funds were provided in order to stabilize neighborhoods and reduce the decline in value of neighborhood homes by providing funds for financing mechanisms, to purchase and rehabilitate residential properties, establish land banks, the demolition of blighted homes and the redevelopment of demolished or vacant homes. Monies will be awarded to Iowa communities on the basis of need and impact with an emphasis on green building practices.

The NSP is to serve low, moderate and middle income individuals and families. All funds appropriated shall be used to serve those who qualify at the 120% or lower area median income. The program emphasis is on long term affordability.

The Iowa Department of Economic Development (IDED) is administering the Neighborhood Stabilization Program for the state of Iowa. The US Department of Housing and Urban Development (HUD) is the governing agency for the program. Elyse Shindelar is the Program

Manager of the Neighborhood Stabilization Program at IDED and will provide technical and program implementation assistance to grantee communities. She may be contacted at the Iowa Department of Economic Development offices by email elyse.shindelar@iowalifechanging.com or her direct line is 515-725-3005.

The award recipients are as follows:

Recipients	Amount
Audubon	\$276,660
Boone	\$675,744
Burlington	\$609,500
Cedar Rapids	\$1,193,337
Corning	\$312,750
Council Bluffs	\$1,184,874
Creston	\$380,800
Davenport	\$1,547,741
Des Moines	\$3,935,474
Dubuque	\$444,328
Eldora	\$669,030
Fort Dodge	\$1,000,000
Guthrie Center	\$526,815
Hamburg	\$347,928
Jefferson	\$548,015
Knoxville	\$973,903
Oelwein	\$1,000,000
Ottumwa	\$1,000,000
Perry	\$708,604
Shenandoah	\$734,207
Sioux City	\$1,158,426
Waterloo	\$850,570
West Des Moines	\$264,481
Total Awards:	\$20,343,187

3. Soundness of approach

a. Proposed Activities

The State of Iowa will administer a multi-pronged approach to stabilize targeted census tracts in the 8 identified communities. This approach includes: acquisition, rehabilitation and redevelopment of foreclosed, abandoned, vacant and blighted residential properties; increasing the number of affordable owner occupied and rental housing units; the re-utilization and preservation of historic properties; removal of blighted properties that are not feasibly rehabilitated and represent a threat to the health or welfare of the neighborhood; and providing financing mechanisms to further create affordable housing.

To successfully carry out the identified activities and stabilize neighborhoods, the State of Iowa plan will focus on addressing the needs of substantially distressed neighborhoods that have been highly impacted by job losses and foreclosure. The plan calls for funding six current recipients of NSP1 to expand their current activities in order to deeply target distressed neighborhoods. The vacant housing in the targeted census tracts is less likely to be absorbed by the private market without the stabilizing effect that NSP2 funds will provide through redevelopment, rehabilitation or the removal of blighted, hazardous properties. Another stabilizing factor will be community green space or parks that will be created as a result of the elimination of blighted properties.

The State of Iowa NSP2 plan promotes long term economic benefits by creating healthy neighborhoods that will encourage private reinvestment and stabilization of property values. Stabilized neighborhoods will create investment among strategic corridors, further supporting revitalization efforts.

NSP2 APPLICATIONS - BUDGET SUMMARY

	ENTITLEMENT CITIES								NON-ENTITLEMENT CITIES								
	Cedar Rapids	U	Council Bluffs	U	Davenport	U	Des Moines	U	Burlington	U	Clinton	U	Keokuk	U	Oelwein	U	
Activity																	
Acquisition/Rehab	\$ 2,000,000	25	\$ 400,000	10	\$ 3,500,000	45	\$ 2,000,000	30	\$ 750,000	8	\$ 558,166	7	\$ 410,000	10	\$ 808,230	22	\$ 10,426,396
Down Pmt Financing											\$ 70,000	7			\$ 25,000	10	\$ 95,000
Demolition					\$ 250,000	5	\$ 600,000	44	\$ 250,000	20			\$ 90,000	12	\$ 85,800	12	\$ 1,275,800
Redevelopment			\$ 2,500,000	54	\$ 2,250,000	25	\$ 3,400,000	80					\$ 500,000	5	\$ 21,000	12	\$ 8,671,000
Housing Counseling *																	
Admin (State & Local)																	\$ 2,274,244
TOTAL	\$ 2,000,000		\$ 2,900,000		\$ 6,000,000		\$ 6,000,000		\$ 1,000,000		\$ 628,166		\$ 1,000,000		\$ 940,030		\$ 22,742,440

U = Number of Units

* Housing Counseling Budget is included in appropriate line items, either acquisition/rehab or down payment financing.

State of Iowa NSP2 Activities

Financing Mechanisms-are provided to make housing available to individuals and families for which being a homebuyer would not otherwise be feasible. Financing mechanisms will positively impact neighborhoods by creating more financing options and encouraging traditional lending practices by private lenders.

Acquisition and Rehabilitation-this activity will involve the acquisition and rehabilitation of 147 foreclosed or abandoned housing units within the targeted census tracts. Final disposition will be a combination of homeownership and decent, safe and sanitary rental units.

Land Banking-the State of Iowa is not including land banking in their NSP2 application. Although land banking is a valuable tool, in Iowa the greatest benefit to neighborhoods will result from the creation of affordable, safe and decent housing for the current residents.

Demolition-represents 6% of the proposed NSP2 budget. In census tracts where population is on the decline the removal of blighted, distressed housing will be undertaken in order to stabilize property values of the neighborhood and stabilize the tax base. Distressed neighborhoods that contain historic structures will preserve those structures as existing housing stock to the greatest extent feasible. Only blighted historic homes that are structurally unsound will be demolished.

Redevelopment- Des Moines-proposes using NSP2 funds to redevelop 80 multi-family housing units along strategic corridors. Des Moines has identified a property for future acquisition although there are several more facing foreclosure that would also be prime redevelopment targets.

Council Bluffs-Redevelopment activity #1 would use \$1,550,000 of NSP2 funds to acquire, demolish and redevelop 20 affordable single family properties. Redevelopment activity #2 includes the acquisition, demolition and redevelopment of 24 affordable rental units.

Davenport-will concentrate their redevelopment activities on mixed-use projects that will result in multi-family rental units.

b. Project Completion Schedule.

The Iowa Department of Economic Development (IDED) Iowa NSP2 plan will comply with Appendix 1, paragraph O of the NOFA dated May 4, 2009. The IDED will require recipients to prepare reports to monitor for anomalies or performance problems that suggest fraud, waste, and abuse of funds; to reconcile budgets, obligations, fund draws, and expenditures; to calculate applicable administrative and public service limitations and the overall percent of benefit to LMMI persons; and as a basis for risk analysis in determining a monitoring plan. The IDED will post the NSP2 report on their website for the public when it submits the report to HUD. The IDED will comply with additional guidance forthcoming as to how NSP2 recipients are to report.

The IDED will submit a quarterly report no later than 10 days after the end of each quarter beginning after the first full quarter following award. In addition, the IDED comply with the monthly reporting requirement beginning the 21st and 33rd months.

All subrecipients of the State will be named, the amount awarded, the information on the award, the location of the subrecipient, a unique identifier, and other information specified by OMB.

The IDED diligently monitors the expenditures of the state's subrecipients. The NSP Program Manager will be working personally to ensure that 50% of funding will be expended in the 24 months with remaining funds expended in 36 months. The state's subrecipients will be working with local lending institutions, realtors, governmental foreclosure sales, community housing groups and neighborhood associations to ensure their compliance in meeting the expenditure performance targets.

The table below outlines the activities to be performed by the state's subrecipients and their completion dates.

Program Activity	Completion Schedule in Months Units/Structures Completed												Totals
	1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30	31-32	33-36	
Financing Mechanism													0
Acquisition	13	29	31	22	7	11	11	10	6	6	1		147
Rehabilitation		2	15	22	21	23	20	18	11	7	6	2	147
Demolition			5	5	8	52	12	8	3				93
Redevelopment						10	9	29	13	107	7	1	176
NSP Totals	13	31	51	49	36	96	52	65	33	120	14	3	563
NSP Expenditures (x \$1,000)													0

c. Income Targeting for 120 percent and 50 percent of median

All NSP2 funds will be for the benefit of individuals and families at or below 120% Area Median Income (AMI). Qualifying income will be verified for all participants using CDBG guidelines for income verification. NSP2 income targeting for those at or below 50% AMI will be achieved primarily through acquisition and rehabilitation or redevelopment. Both 50% AMI homeowners and renters will be targeted. Individuals and families at or below 50% AMI will be marketed through service providers such as local realtors, lenders and Section 8 HCV programs. Additionally, as required by the local market, informational flyers will be produced as well as promotion through public access, newspapers and radio.

The table below outlines the activities that will be undertaken by the State's subrecipients and their income targeting of households at or below 50% AMI. The table shows that approximately 27% of the funds expended will benefit households at or below 50% of area median income.

Program Activity	Number of Properties	Units Produced for 0 - 50% of Median Income	Dollars Expended for
Financing Mechanisms	7	4	\$ 40,000
Acquisition/Rehab	147	67	\$ 4,450,326
Demolition			
Redevelopment	176	23	\$ 1,645,000
Housing Counseling			
Totals	330	94	\$ 6,135,326

State of Iowa NSP

Request

\$ 22,742,440

Percentage

26.98%

d. Continued Affordability

In its administration of the NSP2 Program, the State of Iowa will ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental or redevelopment of abandoned and foreclosed upon homes and residential properties remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income (AMI), or, as applicable, to individuals and families whose incomes do not exceed 50 percent of area median income.

Long-term affordability restrictions meeting at least the following minimum requirements will be imposed on all homebuyer and rental units that are assisted with NSP2 funding:

A. Homebuyer

Subsidy Amount Per Unit	Affordability Period	Maximum Allowable Annual Subsidy Recapture Forgiveness
< \$15,000	5 years	Subsidy recapture, 20 percent forgiveness each year
\$15,000 - \$40,000	10 years	Subsidy recapture, 10 percent forgiveness each year
Over \$40,000	15 years	Subsidy recapture, 6.6 percent forgiveness each year

In cases where no direct subsidy is involved, subrecipients will be required to use the resale option, rather than the recapture option.

B. Rental

Affordable rents are defined as rents that are set at a level at which individuals will pay no more than 30 percent of their gross income for rent, including utilities, or the applicable fair market rents for the area less any utility costs paid by the tenants, whichever is lower.

Average Per Unit NSP Assistance	Affordability Period
< \$15,000	5 years
\$15,000 - \$40,000	10 years
Over \$40,000	15 years
New Construction	20 years

Although the homebuyer and rental requirements above will be the minimum requirements, a subrecipient will have the option to implement more stringent affordability requirements than the minimums listed here if they so desire.

Rent, occupancy, and affordability requirements for homebuyer and rental units will be enforced with covenants, mortgages, or deed restrictions running with the property.

e. Consultation, outreach, communications

Ensuring transparency is a requirement for all the Recovery Act Programs

In the process of developing the NSP2 proposal the Iowa Department of Economic Development consulted with the 23 NSP1 recipients and all HUD-eligible NSP2 cities through personal consultations with city staff, community visits, recipient workshops and weekly teleconference meetings. The NSP1 technical assistance and recipient workshops included information regarding timelines, deadlines, acquisition, procurement, civil rights, draw requests, quarterly reporting, green building practices, deconstruction, eligible activities, meeting the low-income 26% target, continued affordability, lead base paint issues and environmental review/SHPO with Q & A throughout the workshops.

The applications for NSP2 included additional communities. These applications provided invaluable insight as to community neighborhood development and housing needs and this information was used to develop the State of Iowa NSP2 application. These methods of consultation and additional methods will also be utilized as needed during the implementation of NSP 2, if funded.

IDED will monitor communities receiving the NSP2 funds to ensure that housing activities will benefit individuals whose incomes do not exceed 120% of the area median income, and ensure compliance in serving households at or below 50% of median income. IDEED will also continue to utilize outreach to educate and monitor Iowa communities that received the NSP2 funding through personal consultations with city staff, community visits, recipient workshops and weekly teleconference meetings to ensure the communities are using affirmative marketing actions and outreach to ensure that assisted units become available to qualified families.

IDED staff will offer technical assistance to all NSP2 funded communities through direct contact, community visits, educational workshop, and Q& A opportunities during teleconference calls and local meetings as needed. Community NSP2 program documentation and reporting will also be utilized along with IDEED staff who are available and

approachable by local citizens, city staff and any interested parties to ensure complaints are processed in a timely manner.

f. Performance and monitoring

Purpose of Program Monitoring

The Iowa Department of Economic Development (IDED) will be responsible for managing the day-to-day operation of Iowa's NSP2 Program and ensuring that funds are used in accordance with all program requirements. Implementation of NSP2 activities by subrecipients does not relieve IDED of this responsibility.

The four primary goals of NSP2 program monitoring are to: evaluate organizational and project performance; evaluate compliance with federal and state requirements; provide technical assistance to organizations/projects which are not performing satisfactorily or meeting compliance standards; and enforcing corrective mechanisms or penalties as appropriate. Project monitoring within the NSP2 program will be accomplished through four primary methodologies: reporting, technical assistance visits, full monitoring visits, and audit reviews.

Reporting

Sub-recipients will be required to submit a Contract Activity Status Report on a quarterly basis. This report will provide information on the status of each activity within the overall project, as well as information on the status of any Special Contract Conditions.

Monitoring Visits

IDED policy will be to monitor each of the eight subrecipients at least once each year.

These monitoring visits will be conducted using an NSP2 Monitoring Checklist, which will be adapted from the CDBG Monitoring Checklist which the Department currently uses.

1) Preparing for the monitoring visit:

- Prior to the monitoring visit, staff will review the project file and relevant in-house data.
- Notification. IDED will begin the monitoring process by calling or writing the project administrator(s) to explain the purpose of the visit, agree upon dates for the visit, and determine the persons who will need to be present for the monitoring visit. A formal notification letter or email will be sent prior to the planned visit.

2) Conducting the monitoring visit:

- Entrance conference. IDED staff will meet with the project administrator(s) at the beginning of the monitoring visit to ensure that they have a clear understanding of the purpose and scope of the monitoring visit.
- Documentation, data gathering, and analysis. IDED staff will utilize the NSP2 monitoring checklist to review project performance and compliance.
- Exit conference. At the end of the monitoring visit, IDED staff will meet with the top officials of the subrecipient organization to:

- 1) discuss the preliminary findings of the monitoring visit;
 - 2) provide an opportunity to correct any misunderstandings;
 - 3) secure additional information, if needed; and
 - 4) provide an opportunity for the sub-recipient to report on steps being taken to address areas of noncompliance or nonperformance.
- Follow-up. IDED staff will place a completed monitoring checklist in the grantee file, along with any collateral information or observations by the IDED staff person

At the end of the monitoring process, IDED will provide formal written notification to the administrator and recipient official(s) of the results and findings of the monitoring visit. This letter will point out problem areas and recognize successes.

This letter will serve as a permanent written record of the monitoring findings. If corrective actions are necessary, a time frame in which to make those corrective actions and to supply IDED with additional documentation will be established. This letter will also be made a part of the file, as well as documentation of any follow-up actions by the recipient, if applicable.

Audit Reviews

The IDED will notify all NSP2 recipients of the requirements under the Single Audit Act. IDED will also review all audits submitted by recipients pursuant to those requirements, noting any audit findings and requiring corrective actions to such findings as appropriate.

Internal Auditor

IDEED already has an Internal Auditor engaged for purposes of reviewing our activities and expenditures of CDBG 2008 Disaster funding. The State Auditor is performing this function. IDED and the State Auditor are fully aware that the internal audit function is different than, and more encompassing than the auditing under the Single Audit Act. If awarded NSP2 funding, IDED would contract with the State Auditor's Office to perform the same Internal Auditing function for NSP2 as they currently do for the Disaster funding.

4. Leveraging other funds, and removal of substantial negative effects

NSP2 funding to the State of Iowa would be leveraged by approximately \$2,464,334 of state or local funding. This leveraging would be comprised of the following:

City of Des Moines (tax abatement on NSP2 built/rehabbed property)	\$1,532,692
City of Davenport (tax abatement on NSP2 rehabbed properties)	193,185
City of Council Bluffs (GO Bonds)	360,000
City of Burlington (Cash)	120,000
City of Oelwein (Cash)	120,000
City of Keokuk (Cash)	10,000
East Central Intergovernmental Association (Administrative Services)	128,457

Letters committing to the above leveraging are included in the Appendices.

Removal of Substantial Negative Effects

Using State/local estimates on the number of properties to be rehabilitated and demolished, and HUD-supplied data for the number of Vacant Residential Properties, the following calculation may be derived:

(1.5 X Total Properties to be addressed with acquisition/rehab.) + Total Properties addressed through demolition equals:

$$(1.5 \times 157) + 93 = 328.5$$

328.5 divided by # of Vacant Residential Properties = $328.5 / 5,049$ (see Table in Section 1.a., column labeled "Total 90 Day Vacant Residences") = 6.5%.

This is the percentage of vacant units in the target areas of the eight cities that will be acquired and rehabilitated, or demolished, in order to create stabler, healthier communities through an improvement to or reduction of the substandard housing stock.

5. Energy efficiency improvement and sustainable development factors

a. Transit accessibility

Cedar Rapids - all targeted sites will be located in the downtown neighborhoods of Cedar Rapids. As such, all sites will be transit accessible by the Cedar Rapids city bus service.

Council Bluffs - the Metro Area Transit provides bus service to the employment centers of downtown Council Bluffs and Omaha. The routinely run every half hour from 5:00 AM to 9:30 PM.

Davenport - within the target area 99% of properties are no more than a quarter of a mile from a city bus route.

Des Moines - the Des Moines Area Regional Transit (DART) provides bus service for all targeted census tracts. During rush hour buses run every 15-20 minutes.

Burlington - the Burlington Urban Service (BUS) is a people-oriented bus transportation system owned and operated by the City of Burlington. BUS offers alternative transportation service that is convenient and economical. Nearly 90% of all residents of Burlington live within three blocks of a bus route.

Clinton - the Municipal Transit Administration (MTS) serves all targeted census tracts. MTA bus routes serve all schools and commercial-industrial corridors within the City.

Keokuk - contracts with Southeast Iowa Bus (SEIBUS) transit system for on-demand transit service. Passengers arrange for a ride on SEIBUS for a minimal fee and can be transported to work, shopping or appointments. Private cab services are also available.

Oelwein - the City of Oelwein spans a total of two miles, with targeted neighborhoods falling within a one mile radius of the shopping district and industry. Senior citizens may utilize the services of Northeast Iowa Community Action Transit.

b. Green building standards

The Iowa Green Streets program was developed by the Iowa Department of Economic Development. Iowa Green Streets offers an integrated, holistic approach to promote public health, energy efficiency, water conservation, smart locations, operational savings and sustainable building practices. These strategies apply to housing funded with Community Development Block Grant funds and would be required with this funding source as well. In comparison, the Iowa State Building Code is subject to the requirements of the International Energy Conservation Code which is at least 15% less efficient. *Iowa Green Streets* provides guidelines which are purposely aligned with US Green Building Council's Leadership in Energy and Environmental Design (LEED).

Sustainable landscaping elements are also included in *Iowa Green Streets* wherein at least 50% of native species are required for trees and plants and these must be 100% appropriate to the site's soils and microclimate. No invasive species are permitted. Water conservation is relatively stringent in that no new irrigation system is permitted beyond a two year grace period for watering tubes for trees. The use of captured rainwater is encouraged.

Iowa Green Streets criteria seeks to achieve a high quality, healthy living and working environment with lower utility costs that also enhances connections to nature and protects the environment by conserving energy, water, and materials.

All eight NSP2 subrecipient cities shall require that all new construction and rehabilitation conform to the IDED Green Streets for Building standards. The following cities currently have additional requirements and qualifications:

Cedar Rapids - the City of Cedar Rapids staff, the Housing Rehabilitation Specialist, with responsibility for NSP projects is certified through the National Association of Homebuilders' Green Building training curriculum.

Des Moines - all rehabilitation will be done in accordance with the Iowa Green Streets standard.

Burlington-the City of Burlington will be following the Iowa Green Streets criteria.

Clinton - residential properties purchased through the NSP program will be brought up Iowa's Minimum Housing standards as outlined in the Iowa Department of Economic Developments Housing Guide 2009.

Keokuk - the City of Keokuk will require new construction and gut rehabilitation activities to exceed the Energy Star for New Homes standard. When rehabilitation and energy retrofits are warranted only Energy Star products and appliances will be purchased.

Oelwein - Rehabilitations undertaken utilizing NSP2 funds will be required to install Energy Star products as part of the project contract.

c. Re-use of cleared sites

All 8 communities have outlined in their plans a re-use plan for cleared site. Predominately sites will be use reconstruction of housing to benefit individuals or families at or below 120% area median income. Should cleared sites no longer conform to current building codes lots will be disposed in two primary methods. Lots may be sold to income qualified adjacent homeowners so that they may utilize the space for home improvements such as a garage addition, off street parking opportunities or providing additional yard. Secondly, in neighborhoods that are lacking in green space, cleared sites would be used for community gardens or small neighborhood parks.

d. Deconstruction

Where applicable, all communities have formed alliances with preservation groups focused on deconstruction practices and the reuse of building materials. The Historic Preservation Commission, Habitat for Humanity and its Restore, Gateway Redevelopment Group and the Iowa Waste Exchange will be providing communities technical and deconstruction assistance.

Deconstruction Practices was a dedicated presentation during the NSP1 training workshop, that the Iowa Department of Economic Development (IDED) held for its subrecipients. During the presentation, IDED's Green Streets coordinator presented tools and opportunities for pre demolition deconstruction practices. As part of NSP2, IDED will gain provide technical assistance and education on incorporating deconstruction practices into their activities.

e. Other sustainable development practices

Council Bluffs- Council Bluffs is working on a city-wide effort for energy efficiency and has started with a retrofit project for three city-owned buildings that will reduce energy consumption by 25%. The Community Development Department will be part of the City's working group this year to develop a community strategy and action plan including educating residents, businesses (including contractors) and the city council regarding energy savings and their impacts.

The census tracts for NSP2 activities are immediately adjacent to central downtown. Council Bluffs is working toward a sustainable urban center with this neighborhood as an extension of high density quality housing that will feed into central Council Bluffs. Through a Downtown Revitalization Fund, projects were identified for historic rehabilitation in downtown commercial district. Rehabilitation of these sites will allow more efficient use of existing infrastructure and assets while redeveloping neighborhoods. Also, the City approved HOME funds for 45 live-work housing units in downtown and an 80 unit elderly mixed-income project in central Council Bluffs to connect residents with services.

Oelwein- The city will use the recommended green elements in all projects using NSP 2 funds. Any new construction that might be undertaken by area non-profits will fully incorporate Iowa Green Streets practices into their projects. Rehabilitation contracted by the city will utilize energy efficient materials and healthy homes products. All contractors will be provided with a list of best practices to ensure the use of green elements.

Burlington- The City of Burlington will make sure the newly renovated properties remain safe and healthy homes. Due to high humidity levels within the Burlington area, mold problems have run amuck in homes not properly designed to handle moisture. The City of Burlington will refrain from putting carpeting in areas that are prone to moisture problems, and also use one-piece shower enclosures within the units to prevent mold problems in the units.

The City of Burlington will make sure that the properties that are affected as a result of NSP2 funding are landscaped in sustainable and energy efficient ways. The plants will be selected to provide shading in the summer and heat gain in the winter and that they require little to no maintenance based on their location.

The City of Burlington will also provide the new residents with a Green Maintenance Guide that explains the intent, benefits, use and maintenance of green building features, and encourages additional Green activities such as recycling, gardening and use of healthy cleaning materials. The City will also work with Alliant Energy to take advantage of their cash reward programs to install energy efficient amenities to the units. Alliant includes rebates for such upgrades as programmable thermostats be installed, a cycling switch be installed on central air units, and energy star lighting is installed.

One of the targeted areas is located in downtown Burlington, within the designated local and national historic district. The residential structure will lend itself perfectly for low to moderate-income individuals to live within walking distance of their place of employment and amenities within the downtown area as well, such as the Riverfront Park, shops, hair salons, restaurants, and a local grocery store.

6. Neighborhood transformation and economic opportunity

The State of Iowa, Iowa Department of Economic Development certifies that NSP activities are consistent with the state's 5 year 2005 Consolidated Plan, Housing & Community Development and the state's Consolidated Plan for Housing & community Development, Annual Action Plan: 2009. These plans provide a solid foundation for the implementation of NSP2 activities. The proposed NSP2 activities increase the effectiveness and carry out many of the objectives of the State's plans.

The State's plans have identified recurring barrier to ownership, including difficulty in meeting the required down payments and the unavailability of smaller mortgages and lack of financial assistance. Many homes in Iowa are also older and in substandard condition, which requires potential buyers to often arrange for loans for rehabilitation, in addition to the need for down payments.

The state's 5 year 2005 Consolidated Plan, Housing & Community Development and the state's Consolidated Plan for Housing & community Development, Annual Action Plan: 2009 can be found at: <http://www.iowalifechanging.com/community/downloads/2005conplan.doc>
<http://www.iowalifechanging.com/community/downloads/2009-Action-Plan.pdf>

The goals and strategies as stated in the Burlington, Iowa Comprehensive Plan reflect the common issues and needs found in many of Iowa's communities: *"With the loss of jobs and wage cuts, many homes have become vacant or abandoned, and many individuals are no longer able to pay their mortgage, resulting in foreclosure. This directly affects the quality of*

the neighborhoods in which these homes are located. Specific objectives of the Comprehensive Plan that the proposed NSP2 activities would have a positive effect on include the following: Older buildings can become unsightly, unsafe, difficult to sell, or difficult to redevelop if they are not kept in proper condition. Redeveloping existing properties or developing infill sites often has a greater impact on the community as a whole than developing a new or open ground site. This can spur further redevelopment and result in the greater upkeep of surrounding properties. By rehabilitating structures as listed in the NSP2 plan the affect will have greater implications than just the house that is rehabilitated. The surrounding neighborhood will be positively impacted as well, radiating out from this rehabbed home.”

The State of Iowa proposed NSP2 activities would increase the effectiveness of its established plans through the rehabilitation of existing housing units into affordable, safe, and decent housing needed for low to moderate-income families. This would include both owner-occupied and renter-occupied housing units. Rehabilitation solidifies marginal homes, while demolition eliminates blighted properties, while improving and stabilizing the neighborhoods. Demolition also improves the overall demand for existing housing, resulting in lower vacancy rates. Demolition can be an effective tool to positively affect the housing stock and overall quality of the community.

If they continue at the current rate of housing vacancy and decline, many of the neighborhoods in Iowa's communities could get to a point where only substantial or wholesale investment and action would create stable neighborhoods. Based on past and current city budgets, this investment is not likely at the municipal level. The NSP2 funds will stabilize many areas and head off irreversible decline of some neighborhoods in the present and for the future. It is imperative that action be taken to stabilize the neighborhoods of these communities at this time in order to maintain a quality, existing housing stock within Iowa's neighborhoods, while utilizing existing infrastructure. The proposed NSP2 activities will not only preserve existing neighborhoods, but also reduce future investment requirements and reduce future development demand on the fringe areas of the community.

The State is committed to ensuring that housing units built or rehabilitated with NSP2 dollars remain available, affordable, decent, safe and sanitary and lead-safe.