

*The State of Iowa*  
*Department of Economic Development*  
*Consolidated Plan for Housing & Community Development*

**Action Plan for the Neighborhood Stabilization Program**

**Substantial Amendment to the  
2008 Action Plan (includes  
Amendment # 2)**

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*March 2009*

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**NSP SUBSTANTIAL AMENDMENT**  
**To State of Iowa 2008 Action Plan – with Amendment # 2**

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|---|--|
| <b>Jurisdiction:</b> State of Iowa  | <b>NSP Contact Person:</b> Terry Vestal  |
| <b>Web Addresses for Additional Materials:</b>  | <b>Address:</b> Iowa Department of Economic Development<br>200 East Grand Avenue<br>Des Moines, IA 50309 |
| <b>At HUD – <a href="http://www.hud.gov/nsp">www.hud.gov/nsp</a></b>  | <b>Telephone:</b> (515) 242-4850   |
| <b>At IDED – <a href="http://www.iowalifechanging.com/community">www.iowalifechanging.com/community</a></b> | <b>Fax:</b> (515) 242-4809   |
| <b>At COSCDA – <a href="http://www.coscda.org/nsp.asp">www.coscda.org/nsp.asp</a></b>                       | <b>Email:</b> <a href="mailto:terry.vestal@iowalifechanging.com">terry.vestal@iowalifechanging.com</a>   |

This document is a substantial amendment to the Action Plan for FFY2008 submitted by the State of Iowa. The Action Plan is the annual update to the Consolidated Plan for FFY 2005 through 2010. This amendment outlines the expected distribution and use of \$21,607,197 through the newly-authorized Neighborhood Stabilization Program (NSP) through the U.S. department of Housing and Urban development. The NSP funds were authorized by the Housing and Economic Recovery Act of 2008 (HERA) as an adjunct to the Community Development Block Grant (CDBG) Program.

**I. Program Background**

The Neighborhood Stabilization Program (NSP) provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The Neighborhood Stabilization Program provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline in value of neighboring homes.

**II. Allocation of Funding Within Iowa**

The State of Iowa plans to allocate NSP resources to communities with the greatest need, and that have the interest and administrative capacity to operate the program. The State has determined that the most appropriate way to address these goals is to provide funding directly to Entitlement Communities, and have a competitive application process for the Non-Entitlement Communities.

To determine an appropriate division of funding between the entitlement communities and the non-entitlement communities, the State proposes using a three-part formula. The three factors would include # of foreclosures, # of distressed/high-risk neighborhoods, and number of sub-prime loans.

For the first factor, HUD data on foreclosures indicate that, of the 21,661 estimated foreclosures in the state, 8,194 (or 38 %) are in the 11 Entitlement Communities. (HUD's estimates are for the period 1/1/07 – 6/30/08.) However, of the total estimated foreclosures of 21,661, many are widely scattered throughout the state. Many of them might be one, two, or three properties in a neighborhood, or even an entire community. As such, they would not be considered high priority areas for neighborhood-wide stabilization/revitalization. Therefore, the second factor measures the number of Census Tracts with the most distress and risk (as defined by those with the largest numbers of foreclosures). Of the top 100 Census Tracts by this measure, 76 of the 100 (76%) are in counties where Entitlement Cities are located (and most of those are no doubt in the Entitlement Cities themselves). Looking at the top 200 Census Tracts by this measure, 133 of the 200 (66%) are in Entitlement City counties (and again presumably in the Entitlement City itself). The average of these two measures is 71% Entitlement, 29% Non-entitlement. The third factor, number of sub-prime loans, would lead to a 45/55% split, given the statistics showing 22,138 sub-prime loans in Entitlement Cities, and 27,045 in Non-Entitlement cities.

Therefore, the proposed allocation formula would result in the following:

For the entitlements, the average of the three measures would be 38% (# of foreclosures) + 71% (distressed/high risk neighborhoods) + 45% (# of subprime loans).  $(38\% + 71\% + 45\%) / 3$  equals 51%. Using this figure of 51% to the Entitlement Communities, and 49% to the Non-Entitlements would result in the following:

|                             |       |                                   |
|-----------------------------|-------|-----------------------------------|
| State Administration        | Up to | \$864,287 (4% of the total award) |
| Entitlement Communities     |       | \$10,579,231                      |
| Non-Entitlement Communities |       | <u>\$10,163,679</u>               |
| Total Funding               |       | \$21,607,197                      |

**A. Entitlement Allocation**

The allocation among the Entitlement Communities only has been calculated using the following formula: Number of Estimated Foreclosures in the community (weighted 60%), percent of sub-prime loans in the community (weighted 20%), and Foreclosure Risk (20%). After allocating the funds according to this formula and eliminating any allocations of less than \$250,000, the following totals are derived (See Appendix A for complete description of the methodology):

|                 |                     |
|-----------------|---------------------|
| Des Moines      | \$3,935,474         |
| Davenport       | \$1,547,741         |
| Cedar Rapids    | \$1,193,337         |
| Council Bluffs  | \$1,184,874         |
| Sioux City      | \$1,158,426         |
| Waterloo        | \$850,570           |
| Dubuque         | \$444,328           |
| West Des Moines | \$264,481           |
| <b>TOTAL</b>    | <b>\$10,579,231</b> |

If any of the eight Entitlement Cities above decide not to accept the funding, that amount will be allocated instead to the Non-Entitlement portion of the funding available to them by competitive application.

**B. Non-Entitlement Allocation**

As noted earlier, \$10,163,679 will be allocated for usage by non-entitlement communities, through competitive application. In an attempt to target these funds to communities with the greatest need, the following factors were employed to determine eligibility. Again using data provided by HUD, Block Groups were selected that met two criteria: they had a Foreclosure Risk Score of 9 or 10, and the Block Group in its entirety met the LMMI criteria. (They are Low, Medium or Moderate Income eligible if more than 50 percent of the households in the Block Group are below 120 percent Area Median Income – the NSP eligibility level.) Using these two criteria resulted in a list that includes 361 Block Groups in 98 different communities. These 98 communities (approximately 10 percent of all communities in the state) will be considered eligible to submit a Plan and apply for NSP funding as described later in this Plan. The 98 communities are listed in Appendix B. If insufficient eligible applications are received from these communities to use the full amount of funding allocated to them, the unused funding will be reallocated to the Entitlement Communities, in the same percentages as specified in the original Entitlement allocation, or, if the unused Non-Entitlement funding is so small that dividing it into eight separate awards is impractical, the unused funds may be awarded to one, two, or three of the Entitlement Communities, in rank order of need as determined by their original allocations.

**III. Distribution of Funds – Community Plans – Entitlement Cities**

In order to qualify for funding through the NSP, the eight Entitlement Communities must each prepare and submit to IDED an NSP Plan that describes their proposed use of funds, that gives priority consideration to their areas of greatest need, and that proposes activities that are consistent with this Plan and with NSP regulations as published by HUD on October 6, 2008. The proposed activities should relate to the major causes of foreclosure/abandonment in each neighborhood and the most effective way(s) to address the deterioration and encourage redevelopment.

The Entitlement Community Plan should target activities in no more than 25 percent of the total number of Census Tracts per community. Recognizing that neighborhoods do not necessarily coincide with Census Tract boundaries, the Community may extend their activities slightly beyond the selected Census Tract boundaries if the variation is identified clearly in the Plan, along with reasons for the variation. In such cases, the areas identified should not exceed 25 percent of the community, by area.

Entitlement Communities are encouraged to work with or through non-profit organizations as appropriate.

#### Eligible Activities

IDED will make NSP funds available for the following statutorily eligible activities. NSP funds are eligible to:

- a. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers.
- b. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
- c. Establish land banks for homes that have been foreclosed upon.
- d. Demolish blighted structures.
- e. Redevelop demolished or vacant properties.

HUD has established restrictions on these activities via its Notice on the allocation and application process for NSP funds. In particular, several of these activities are only eligible if the use of funds will address a foreclosed property. HUD has also waived the one-for-one replacement, but requires documentation on the number of units that will be produced. IDED will seek to provide NSP funds with the maximum authorized flexibility while adhering to HUD-mandated restrictions. IDED will also advise and provide technical assistance to all of its applicants regarding these requirements.

The eligible activities outlined in this Action Plan for NSP funds are subject to change based upon HUD's approval of this Action Plan, and/or changes issued to the NSP Notice or interpretation of the Notice as clarified on the HUD website for this program: <http://www.hud.gov/nsp>.

The Entitlement Community NSP Plan deadline is January 15, 2009. IDED will review the plans for compliance with eligibility and regulatory requirements, and will make funding decisions by January 31, 2009.

#### Administrative Funds

The communities will be allowed six percent of the funding for administrative purposes.

#### **IV. Distribution of Funds – Non-Entitlement Communities**

The 98 eligible non-entitlement communities can apply for funding on a competitive basis, with a deadline of January 31, 2009. The applications will be on a form prepared by IDED and available on its website, or other means. Each proposed plan must impact a minimum of three housing units and/or properties. The maximum amount that can be applied for by a non-entitlement community is \$1 million. The communities are encouraged to work with or through non-profits or other entities as appropriate. The communities will be allowed up to six percent of the awarded funds for administrative purposes.

#### Targeting

Proposed activities by the non-entitlement communities must be targeted as follows:

Communities of 1,000 population or less – entire community is eligible

Communities of 1,000 – 9,999 population – no more than 50 percent of the community by area

Communities of 10,000 – 50,000 – no more than 25 percent of the community by area

The proposals will be rated on the following factors:

- Need (30 points) – Measured by number of foreclosures, foreclosure rate, and foreclosure risk score
- Impact (30 points) – Measured by the expected effectiveness of the proposed activities to effect stabilization and/or redevelopment
- Targeting (20 points) – Measured by the degree to which the plan targets a specific neighborhood or neighborhoods and how the prioritization was determined
- Timeliness (10 points) – Measured by the likelihood that dollars will be committed to the proposed projects by June 30, 2010.
- Green Building (10 points) – Measured by the degree to which rehabilitation and/or redevelopment utilizes Green Building components and techniques.

#### **V. Requirements Applicable to All Plans**

- All beneficiaries must be less than 120% of Area Median Income (for activities that do not benefit a particular household, i.e. demolition, the activity must be in an area (Census Tract or Block Group) that is LMMI-eligible;
- At least 25% of the funds must go to benefit households at 50% or lower Area Median Income (AMI). To meet this statewide requirement, and because HUD excludes administrative funds from the calculation, cities will be required to show that at least 26% of the funds they receive will be used to benefit households at 50% or lower AMI.
- Homes purchased for rehab/resale must be purchased at an average of at least 15% discount to current market appraised value;
- Long-term affordability requirements on homebuyer and rental units;

- Any NSP-assisted homebuyer must be provided at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan.

## VI. Definitions and Descriptions

The following section describes the state's definitions of significant terms and program requirements for which HUD is mandating a response. **NOTE:** The first four definitions are **HUD** required and the remaining ones are listed alphabetically.

### 1. Blighted Structure

A blighted structure, as defined in federal regulations, is one that "exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare." This might include, but is not limited to, any of the following:

- a) Any premises which because of physical condition or use is regarded as a public nuisance at common law, or has been declared a public nuisance in accordance with local housing, building, plumbing, fire or related codes;
- b) Any premises which because of physical condition, use or occupancy is considered an attractive nuisance to children, including but not limited to abandoned wells, shafts, basements, excavations, and unsafe structures;
- c) Any dwelling which, because it is dilapidated, unsanitary, unsafe, vermin-infested or lacking in the facilities and equipment required by the housing code of the municipality, has been designated by the department responsible for enforcement of the code as unfit for human habitation;
- d) Any structure which is a fire hazard, or otherwise dangerous to the safety of person or property;
- e) Any structure from which utilities, plumbing, heating, sewerage or other facilities have been disconnected, destroyed, removed, or rendered ineffective so that property is unfit for its intended use;
- f) Any unoccupied property which has been tax delinquent for a period of at least two years; or
- g) Any property which is vacant but not tax delinquent, which has not been rehabilitated within one year of receipt of notice to rehabilitate from the appropriate code enforcement agency.

### 2. Definition of Affordable Rents

NSP-assisted units will carry rent and occupancy restriction requirements. The rents will be set in order that individuals 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.

### 3. Continued Affordability

HUD requires that states 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).

#### A. Homebuyer

All homebuyer and rental units assisted must include provisions for long-term affordability restrictions meeting at least the following requirements:

| <b>Subsidy Amount Per Unit</b> | <b>Affordability Period</b> | <b>Minimum Restriction</b>                           |
|--------------------------------|-----------------------------|--|
| < \$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 |

While these are minimum requirements, the applicant may choose to implement more stringent affordability requirements than the minimum listed here to ensure that the properties remain affordable for as long as possible.

Proceeds from resale where subsidy recapture provision is used can be reinvested in eligible NSP activities until July 30, 2013. After that timeframe, proceeds must be returned to IDED, which will subsequently return such amounts to the Federal Treasury in accordance with the HUD Notice for NSP.

**B. Rental**

Current HUD regulations state that all rental income above that needed for operations, maintenance and reserves is considered program income and must be returned to HUD. This provision does not provide for a sliding scale or shared return of those funds. Therefore, IDED encourages applicants to consider the long term feasibility of rental housing using these funds.

| <b>Average Per Unit NSP Assistance</b> | <b>Affordability Period</b> | <b>Minimum Restriction</b>                           |
|--|-----------------------------|--|
| < \$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 |
| New Construction                       | 20 years                    | Subsidy recapture, 5 percent forgiveness each year   |

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

The definition of "Continued Affordability" in this Action Plan for NSP funds is subject to change based upon HUD's approval of this Action Plan, and/or changes issued to the NSP Notice or interpretation of the Notice as clarified on the HUD website for this program: <http://www.hud.gov/nsp>. IDED urges potential grantees to be on alert for such changes, which should be posted on the HUD website.

4. Housing Rehabilitation Standards

All newly constructed multi-family and single-family housing must meet all locally adopted and enforced building codes, standards and ordinances. In the absence of locally adopted and enforced building codes, standards and ordinances, the requirements of the State Building Code apply. All newly constructed housing must also meet the requirements of the 2006 International Energy Efficiency Code.

All multi-family housing activities involving rehabilitation must meet all locally adopted and enforced building or housing codes, standards or ordinances. In the absence of locally adopted and enforced building or housing codes, standards or ordinances, the requirements of the State Building Code apply.

The State Building Code (Department of Public Safety) has adopted the International Building Code and related publications.

All single-family housing activities involving rehabilitation must meet all locally adopted and enforced building or housing codes, standards or ordinances. In the absence of locally adopted and enforced building or housing codes, standards or ordinances, the requirements of the Iowa Minimum Housing Rehabilitation Standards apply (all communities with a population of less than 15,000). Communities with populations of 15,000 or greater are required by state law to adopt a housing code.

The Iowa Green Streets criteria will apply to any rental housing and any single-family new construction activities undertaken through the NSP.

#### 5. Abandoned Property

A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

#### 6. Foreclosed Property

A property "has been foreclosed upon" at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

#### 7. Greatest Need Areas

The state's greatest need areas are the 8 entitlement communities and 98 non-entitlement communities identified in this Amendment to the Action Plan.

### **VII. Low-Income Targeting**

All communities will be required to include in their proposals, the manner in which their activities will meet the low-income targeting requirement, which is that at least 26% of the NSP funds they receive must be used for housing activities that benefit individuals whose incomes do not exceed 50% of the area median income. Therefore, at least \$5,401,976 will be utilized statewide to address the needs of this income category.

### **VIII. Acquisition and Relocation**

It is anticipated that some demolition and/or conversion of low- and moderate-income dwelling units will occur. It is understood that, although the “one-for-one” replacement requirement has been waived for the NSP program, the proposed activities should mitigate such losses to the extent possible.

- Best estimate for low- and moderate-income units that will be demolished or converted is 350;
- Best estimate for number of LMMI (< 120% AMI) units that will be made available through the various activities is 635;
- Within that total number of housing units, we estimate that 159 will be made available for low-income households, not to exceed 50% AMI.

### **IX. PUBLIC COMMENT**

See Appendix C for a summary of Public Comments received on the Draft NSP Substantial Amendment, and the Department’s responses to those comments.

## **X. NSP INFORMATION BY ACTIVITY**

This section contains the state's summary of each activity anticipated for NSP funds. There is a separate page for each activity. The state intends to provide additional details on these activities once local applications are received and approved.

- |                                     |  |
|-------------------------------------|--|
| <b>1. <u>Activity Name:</u></b>     | <b><u>Financing Mechanisms</u></b>   |
| 2. <u>Activity Type:</u>            | NSP Activity (A); CDBG Eligible Activity 24 CFR 570.206 Delivery Costs, 24 CFR 570.201 (n) Direct homeownership assistance (as modified)                     |
| 3. <u>National Objective:</u>       | Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice ( $\leq 120$ percent of area median income) - LMMH |
| 4. <u>Projected Start Date:</u>     | March 1, 2009  |
| 5. <u>Projected End Date:</u>       | February 28, 2013  |
| 6. <u>Responsible Organization:</u> | Iowa Department of Economic Development<br>200 East Grand Avenue<br>Des Moines, Iowa 50309<br>Terry Vestal, Housing Team Leader                              |
| 7. <u>Location Description:</u>     | To be determined once local applications are approved  |
| 8. <u>Activity Description:</u>     |  |

The state anticipates a small amount of funds to be directed into this activity for homeownership. The state currently has significant resources available to homeowners through the Iowa Finance Agency (IFA) and its network of lending institutions. IFA's programs and other lenders can supply the vast majority of need for financing homebuyers that will acquire foreclosed properties. Consequently, the amount budgeted in this category is minimal.

It is anticipated that this activity will utilize minimal funds to assist those households at or below 50 percent AMI because they are least able to qualify for homeownership.

All housing activities will be subject to the definitions of affordability outlined in this Action Plan.

The range of interest rates will be determined once local programs are developed, and those programs establish detailed procedures for these financing activities. However, interest rates for this activity may not exceed 8%.

1. **Activity Name:** **Acquisition**
2. **Activity Type:** NSP Activity (B); CDBG Eligible Activity 24 CFR 570.201 (a) Acquisition, and (b) Disposition
3. **National Objective:** Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice ( $\leq$  120 percent of area median income) - LMMH
4. **Projected Start Date:** March 1, 2009
5. **Projected End Date:** February 28, 2013
6. **Responsible Organization:** Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. **Location Description:** To be determined once local applications are approved
8. **Activity Description:**

The state anticipates the largest share of funds to be directed into this activity primarily for homeownership. The properties acquired will be foreclosed and/or abandoned and will be ultimately made available to income-eligible buyers. The state currently has significant resources available to homeowners through the Iowa Finance Agency (IFA) and its network of lending institutions. IFA's programs and other lenders can supply the vast majority of need for financing homebuyers that will acquire foreclosed properties.

It is anticipated that this activity will utilize minimal funds to assist those households at or below 50 percent AMI because they are least able to qualify for homeownership. It is anticipated that these minimal funds are more likely to assist households at or below 50 percent AMI in rental housing.

All housing activities will be subject to the definitions of affordability outlined in this Action Plan.

The amount of purchase discount will be at least 5 percent and will average at least 15 percent. The exact discount rate will be determined once local applications are approved.

1. **Activity Name:** **Rehabilitation**
2. **Activity Type:** NSP Activity (B); CDBG Eligible Activity 24 CFR 570.201 (n) Direct homeownership assistance (as modified)
3. **National Objective:** Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice (< 120 percent of area median income) - LMMH
4. **Projected Start Date:** March 1, 2009
5. **Projected End Date:** February 28, 2013
6. **Responsible Organization:** Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. **Location Description:** To be determined once local applications are approved
8. **Activity Description:**

The state anticipates a share of funds to be directed into this activity primarily for homeownership, as well as a minimal portion for rental properties. The properties rehabilitated with these funds will be previously foreclosed upon homes.

It is anticipated that the majority of funding made available through this activity towards households at or below 50 percent AMI will be for rental projects because they are least able to qualify for homeownership.

All housing activities will be subject to the definitions of affordability outlined in this Action Plan.

1. **Activity Name:** **Land Banks**
2. Activity Type: NSP Activity (C); CDBG Eligible Activity 24 CFR 570.201 (a) Acquisition, and (b) Disposition
3. National Objective: Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice ( $\leq$  120 percent of area median income) - LMMA
4. Projected Start Date: March 1, 2009
5. Projected End Date: February 28, 2013
6. Responsible Organization: Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. Location Description: To be determined once local applications are approved
8. Activity Description:

The state anticipates that a minimal amount of funding will be directed into this activity. Any properties acquired would be held until local markets and/or projects are ready to make use of these properties. The properties acquired with these funds will be previously foreclosed upon properties.

It is anticipated that minimal funds may assist those households at or below 50 percent AMI because they are least able to qualify for homeownership.

All housing activities will be subject to the definitions of affordability outlined in this Action Plan.

The amount of purchase discount will be a minimum of 5 percent and average at least 15 percent. The exact discount rate will be determined once local applications are approved.

1. **Activity Name:** **Demolition**
2. **Activity Type:** NSP Activity (D); CDBG Eligible Activity 24 CFR 570.201 (d) Clearance for blighted structures only.
3. **National Objective:** Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice ( $\leq$  120 percent of area median income) - LMMA
4. **Projected Start Date:** March 1, 2009
5. **Projected End Date:** February 28, 2013
6. **Responsible Organization:** Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. **Location Description:** To be determined once local applications are approved
8. **Activity Description:**

The state anticipates a moderate share of funds to be directed into this activity. The properties demolished with these funds will be blighted structures, and most are anticipated to be foreclosed homes.

While these funds will not provide a direct benefit to households at or below 50 percent AMI, the blight removal may provide benefits to locations in which the majority of households in the area have incomes at or below 50 percent AMI.

1. **Activity Name:** **New Construction**
2. **Activity Type:** NSP Activity (E); CDBG Eligible Activity Waiver per HUD Notice for NSP
3. **National Objective:** Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice (< 120 percent of area median income) - LMMH
4. **Projected Start Date:** March 1, 2009
5. **Projected End Date:** February 28, 2013
6. **Responsible Organization:** Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. **Location Description:** To be determined once local applications are approved
8. **Activity Description:**

The state anticipates a significant share of funds to be directed into this activity primarily for rental properties at or below 50 percent AMI. The properties that will be used for new construction activities will be sites on which demolition occurred or on vacant properties.

It is anticipated that the majority of the funds in this activity will be made available to households at or below 50 percent AMI.

All housing activities will be subject to the definitions of affordability outlined in this Action Plan.

1. **Activity Name:** **Housing Counseling**
2. **Activity Type:** NSP Activity (E); CDBG Eligible Activity 24 CFR 570.201 (e) Public Services
3. **National Objective:** Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice ( $\leq 120$  percent of area median income) - LMMH
4. **Projected Start Date:** March 1, 2009
5. **Projected End Date:** February 28, 2013
6. **Responsible Organization:** Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. **Location Description:** To be determined once local applications are approved
8. **Activity Description:**

The state anticipates a small share of funds to be directed into this activity primarily for homeownership. The households receiving this housing counseling will include only homeowners purchasing homes that were assisted with NSP funds. These homeowners will receive at least eight hours of counseling and will be delivered by HUD-approved housing counseling agencies.

It is anticipated that minimal funds in this activity may assist those households at or below 50 percent AMI

All housing activities will be subject to the definitions of affordability outlined in this Action Plan.

1. **Activity Name:** Administration
2. Activity Type: NSP Activity per HUD Notice; CDBG Eligible Activity 24 CFR 570.206 (a)  
Administration – General Management and Oversight
3. National Objective: Meets national objective benefiting low, moderate and middle-income persons, as defined in the NSP Notice ( $\leq 120$  percent of area median income)
4. Projected Start Date: March 1, 2009
5. Projected End Date: February 28, 2013
6. Responsible Organization: Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Terry Vestal, Housing Team Leader
7. Location Description: To be determined once local applications are approved
8. Activity Description:

The state anticipates distributing the administrative funds as follows: 6 percent will be available for local project administration, and 4 percent will be reserved for state-level administrative activities.

**XI. TOTAL BUDGET**

Below is summary of the State's expected budget for the use of NSP funds. To derive these projections, the Department held discussions and requested preliminary estimates from many of potential local partners in the program, including community development organizations, nonprofits, and city and county jurisdictions. The Department used these to prepare this estimated budget. These projections are subject to appropriate adjustment once local applications are received and reviewed by the State.

| <b>Activity/Category</b>            | <b>Subtotals</b> | <b>Amounts</b>      | <b>Percent of Total</b> |
|-------------------------------------|------------------|---------------------|-------------------------|
| <b>Financing Mechanisms</b>         |                  |                     |                         |
| Project Cost *                      | \$558,565        |                     |                         |
| Local Admin                         | \$35,653         |                     |                         |
|                                     |                  | \$594,218           | 2.75%                   |
| <b>Acquisition</b>                  |                  |                     |                         |
| Project Cost                        | \$6,702,772      |                     |                         |
| Local Admin                         | \$427,837        |                     |                         |
|                                     |                  | \$7,130,609         | 33.00%                  |
| <b>Rehabilitation</b>               |                  |                     |                         |
| Project Cost                        | \$3,046,715      |                     |                         |
| Local Admin                         | \$194,471        |                     |                         |
|                                     |                  | \$3,241,186         | 15.00%                  |
| <b>Land Banks</b>                   |                  |                     |                         |
| Project Cost                        | \$1,014,890      |                     |                         |
| Local Admin                         | \$64,824         |                     |                         |
|                                     |                  | \$1,079,714         | 5.00%                   |
| <b>Demolition</b>                   |                  |                     |                         |
| Project Cost                        | \$3,046,715      |                     |                         |
| Local Admin                         | \$194,471        |                     |                         |
|                                     |                  | \$3,241,186         | 15.00%                  |
| <b>Redevelop/New Construction</b>   |                  |                     |                         |
| Project Cost                        | \$5,077,859      |                     |                         |
| Local Admin                         | \$324,118        |                     |                         |
|                                     |                  | \$5,401,977         | 25.00%                  |
| <b>Redevelop/Housing Counseling</b> |                  |                     |                         |
| Project Cost                        | \$50,779         |                     |                         |
| Local Admin                         | \$3,241          |                     |                         |
|                                     |                  | \$54,020            | 0.25%                   |
| <b>State Admin Activities</b>       |                  |                     |                         |
| State Admin                         | \$864,287        |                     |                         |
|                                     |                  | \$864,287           | 4.00%                   |
| <b>TOTAL</b>                        |                  | <b>\$21,607,197</b> | <b>100.00%</b>          |

\* Project Costs for each of the activities may include project delivery costs, which are costs that, although administrative in nature, can be attributed to a specific project/address. Examples would include construction supervision, inspections, and work write-ups. These costs may be incurred over and above the 6% local administration limitation.

**XII. PERFORMANCE MEASURES**

Below is a summary of the state's expected budget for the use of NSP funds. IDED estimated the numbers based on the information received from the potential applicants and the HUD foreclosure data. In the table below, an objective has been identified for each of the Activities/Outputs. An outcome category that best reflects what IDED hopes to achieve by funding that Activity is also identified.

These numbers are subject to change once local applications are approved by the state. IDED can also provide the number of units broken out by income category once those applications are approved. IDED will also provide information on progress of fulfilling these measures as required by the reporting procedures outlined in the HUD Notice.

|                    | <b>Housing Units Outputs</b> | <b>Objectives</b>            | <b>Outcomes</b>             |
|--------------------|------------------------------|------------------------------|-----------------------------|
| Financed           | 5                            | Suitable Living Environments | Availability /Accessibility |
| Acquisition        | 67                           | Suitable Living Environments | Sustainability              |
| Rehabilitation     | 129                          | Decent Affordable Housing    | Affordability               |
| Land Bank          | 9                            | Decent Affordable Housing    | Sustainability              |
| Demolished         | 350                          | Suitable Living Environments | Sustainability              |
| New Construction   | 75                           | Decent Affordable Housing    | Sustainability              |
|                    |                              |                              |                             |
|                    | <b>Households Assisted</b>   |                              |                             |
| Housing Counseling | 100                          | Suitable Living Environments | Availability/Accessibility  |

**Certifications**

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds ≤ 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

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Michael L. Tramontina, Executive Director  
Iowa Department of Economic Development

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Date

**APPENDIX A**

The allocation among the Entitlement Communities only has been calculated using the following formula: Number of estimated foreclosures in the community (weighted 60%), percent of sub-prime loans in the community (weighted 20%), and foreclosure risk factor (weighted 20%). This formula results in the following allocation of funding to the Entitlement Communities:

|                 | A                                | B   | C                         | D   | E   | F  |
|-----------------|----------------------------------|---|---------------------------|---|---|--|
|                 | Number of Estimated Foreclosures | Percent of Estimated Foreclosures for Entitlement Areas | Number of Sub-Prime Loans | Percent of Sub-Prime Loans in Entitlement Areas | Percent of Block Groups in City with Foreclosure Risk Factors 6-10 (Compared to Number in All Entitlements) | Allocation Percent = 60% Column B + 20% Column D+ 20% Column E |
| Des Moines      | 3157                             | 0.3853  | 3993                      | 0.3028  | 0.36  | 0.3637   |
| Davenport       | 1204                             | 0.1469  | 1777                      | 0.1348  | 0.14  | 0.1431   |
| Cedar Rapids    | 966                              | 0.1179  | 1422                      | 0.1078  | 0.09  | 0.1103   |
| Council Bluffs  | 816                              | 0.0996  | 1567                      | 0.1188  | 0.13  | 0.1095   |
| Sioux City      | 709                              | 0.0865  | 1527                      | 0.1158  | 0.16  | 0.1071   |
| Waterloo        | 645                              | 0.0787  | 1151                      | 0.0873  | 0.07  | 0.0787   |
| Dubuque         | 325                              | 0.0397  | 746                       | 0.0566  | 0.03  | 0.0411   |
| West Des Moines | 196                              | 0.0239  | 390                       | 0.0296  | 0.02  | 0.0243   |
| Ames            | 69                               | 0.0084  | 226                       | 0.0171  | 0.00  | 0.0085   |
| Cedar Falls     | 57                               | 0.0070  | 202                       | 0.0153  | 0.00  | 0.0073   |
| Iowa City       | 50                               | 0.0061  | 184                       | 0.0140  | 0.00  | 0.0065   |

Using the percentages from Column F above, the following allocation of funding results:

|                 |        |   |              |   |                     |
|-----------------|--------|---|--------------|---|---------------------|
| Des Moines      | 0.3637 | x | \$10,579,231 | = | \$3,848,089         |
| Davenport       | 0.1431 | x | \$10,579,231 | = | \$1,513,888         |
| Cedar Rapids    | 0.1103 | x | \$10,579,231 | = | \$1,166,889         |
| Council Bluffs  | 0.1095 | x | \$10,579,231 | = | \$1,158,849         |
| Sioux City      | 0.1071 | x | \$10,579,231 | = | \$1,132,612         |
| Waterloo        | 0.0787 | x | \$10,579,231 | = | \$832,374           |
| Dubuque         | 0.0411 | x | \$10,579,231 | = | \$435,230           |
| West Des Moines | 0.0243 | x | \$10,579,231 | = | \$256,652           |
| Ames            | 0.0085 | x | \$10,579,231 | = | \$89,500            |
| Cedar Falls     | 0.0073 | x | \$10,579,231 | = | \$76,805            |
| Iowa City       | 0.0065 | x | \$10,579,231 | = | \$68,342            |
| <b>TOTAL</b>    |        |   |              |   | <b>\$10,579,231</b> |

The Department believes that any amount less than \$250,000 would clearly be impractical and/or inefficient for an Entitlement Community to operate. If one reallocates the funds eliminating the awards below \$250,000 and uses the same formulas and ratios, the following totals are derived:

|                 |        |   |              |   |                     |
|-----------------|--------|---|--------------|---|---------------------|
| Des Moines      | 0.3720 | x | \$10,579,231 | = | \$3,935,474         |
| Davenport       | 0.1463 | x | \$10,579,231 | = | \$1,547,741         |
| Cedar Rapids    | 0.1128 | x | \$10,579,231 | = | \$1,193,337         |
| Council Bluffs  | 0.1120 | x | \$10,579,231 | = | \$1,184,874         |
| Sioux City      | 0.1095 | x | \$10,579,231 | = | \$1,158,426         |
| Waterloo        | 0.0804 | x | \$10,579,231 | = | \$850,570           |
| Dubuque         | 0.0420 | x | \$10,579,231 | = | \$444,328           |
| West Des Moines | 0.0250 | x | \$10,579,231 | = | \$264,481           |
| <b>TOTAL</b>    |        |   |              |   | <b>\$10,579,231</b> |

The three communities eliminated through this process would not be eligible for funding through the NSP program.

**APPENDIX B**

**Non-entitlement communities considered eligible to submit an application**

|                |              |               |
|----------------|--------------|---------------|
| Albia          | Hamburg      | Ocheyedan     |
| Allerton       | Hampton      | Oelwein       |
| Anita          | Harris       | Onawa         |
| Ashton         | Havelock     | Osage         |
| Audubon        | Hawarden     | Oskaloosa     |
| Bedford        | Ida Grove    | Ottumwa       |
| Belle Plaine   | Iowa Falls   | Perry         |
| Blockton       | Jefferson    | Pisgah        |
| Boone          | Jolley       | Pocahontas    |
| Britt          | Keokuk       | Pomeroy       |
| Burlington     | Knoxville    | Prairie City  |
| Carroll        | Lake City    | Red Oak       |
| Castana        | Lake Mills   | Rockwell City |
| Centerville    | Laurens      | Rodney        |
| Chariton       | Leland       | Sac City      |
| Charles City   | Lenox        | Scarville     |
| Chatsworth     | Lincoln      | Seymour       |
| Clarion        | Little Sioux | Sharpsburg    |
| Clearfield     | Lytton       | Sheldon       |
| Clinton        | Mapleton     | Shenandoah    |
| Colfax         | Maquoketa    | Sigourney     |
| Conway         | Marne        | Stuart        |
| Corning        | Marshalltown | Tama          |
| Creston        | Melvin       | Thurman       |
| Crystal Lake   | Menlo        | Toledo        |
| Delta          | Morning Sun  | Traer         |
| Dunlap         | Mount Union  | Turin         |
| Eagle Grove    | Muscatine    | Wapello       |
| Eldora         | New London   | Webster City  |
| Fort Dodge     | Newton       | West Union    |
| Fort Madison   | Nodaway      | Wiota         |
| Gilmore City   | Northwood    | Yetter        |
| Guthrie Center | Oakville     |               |

## APPENDIX C

### **DEPARTMENT'S RESPONSE TO PUBLIC COMMENT ON DRAFT NSP PLAN**

The NSP Action Plan was released for public comment on Wednesday, November 12, 2008. The public comment period for the document ran from November 12 to November 27. The Action Plan was posted on the Department of Economic Development's website on November 12 as well. The Plan was also emailed to all Iowa's Councils of Governments and all cities and counties in Iowa. An announcement of the Action Plan's availability was made in the Des Moines Register, a state-wide newspaper.

During the comment period, the following comments were received by the Iowa Department of Economic Development concerning the Action Plan. A brief summary of each comment as well as the Department's response is included. Comments are arranged by topic and each comment is numbered. For more information on the public comments received on the Action Plan or for copies of the original comments, please contact the Iowa Department of Economic Development, the Community Development Division at 515-242-4711.

#### **Comment #1: Targeting Criteria**

**A comment was received from a community that having a targeting rule of no more than 25 percent of a community's Census Tracts might be unreasonable. In some cases, Census Tracts might be very small, and in other cases very large, so that using Census Tracts only for this rule might be unfair or inconsistent from one community to the next.**

**Response: To address this potential concern, the Draft Plan has been revised to make clear that an acceptable alternative method of targeting would be the percentage of the community, by area, rather than strictly using a percentage of Census Tracts. For communities of 10,000 – 49,999 population, and for Entitlement Communities, this Final Plan allows the targeting to be up to 25% of the entire community, by area.**

#### **Comment #2: Clarification of holding costs**

**A comment was received from a community that believed that in the current real estate market, holding costs may be a significant portion of their total NSP funds. "While we are of the understanding that holding costs can be used as a delivery cost, we would like to see more detail in the plan as to what constitutes a holding cost and how these costs can be accounted for."**

**Response: The Department will request additional guidance from HUD on this issue. Additional information will hopefully be available and provided to communities through the application process and/or other means of technical assistance.**

#### **Comment #3: Commitment definition**

A comment was received from a community that while the program rules state that funds need to be committed within 18 months, there is no clear definition of what commitment means. “Without this, we are unsure if we are required to complete all property acquisition within 18 months, have properties identified within 18 months, or simply to have an idea of where we would like to acquire property.” They would like the state plan to address what the definition of commitment should be.

Response: The state’s current understanding is that property acquisition would not be required within the 18 month period, but that property identification would be. Additional clarification on this issue will also be sought, and provided to communities as the state obtains more information on this subject.

**Comment #4: Iowa Green Streets criteria**

A comment was received from a community that was concerned with the requirement that Iowa Green Streets criteria will be applied to all new construction projects. “Entitlement cities are unaware of the Iowa Green Streets requirements and how these requirements will impact the cost of development. From our experiences working with non-profit housing developers, we have learned that green requirements need to be well defined. Another concern with green development is the cost. Depending on the specific requirements, “green” can increase costs by as much as 20%-30%, which makes affordability increasingly difficult.”

Response: A manual outlining the guidelines and requirements for Iowa Green Streets can be found on the Department’s website at <http://www.iowalifechanging.com/community/downloads/green-criteria08.pdf>. The Department recognizes that while “green” can increase costs initially, long-term savings can actually increase affordability.

**Comment # 5:** A comment was received from a non-profit organization asking that the Plan “Ensure that the needs of low income elderly residents are a designated priority in plans for neighborhood stabilization.”

Response: Although the program regulations require that the funds be targeted to Low, Moderate, and Middle Income households, nothing in the program goals or regulations indicate an intent to prioritize elderly residents over other Low, Moderate and Middle Income households. The state has chosen not to place a priority on elderly households as compared to other LMMI households, within the NSP program.

**Comment # 6:** A comment was received from a non-profit organization requesting that the Plan “Provide cost effective energy efficiency improvements to rehabilitated and redeveloped properties for low income residents.”

Response: The Plan does include requirements that hopefully address this request. The Plan states that “The Iowa Green Streets criteria will apply to any rental housing and any single-family new construction activities undertaken through the NSP.” And one of the rating criteria for the non-entitlement competitive applications is “the degree to which rehabilitation and/or redevelopment utilizes Green Building components and techniques.”

Comment # 7: A comment was received from a non-profit organization asking that the Plan “Integrate universal design and visitability features into rehabilitated and redeveloped properties to promote aging in place.”

Response: After consideration of this proposal, the state has decided not to require universal design and related features into all rehabilitated and redeveloped properties. However, it should be noted that universal design features are one element of the Iowa Green Streets criteria, which are being applied to any rental housing and any single-family new construction undertaken by the NSP program. Also, the universal design construction would be part of the “Green Building” rating factor for non-entitlement competitive applications.

Comment # 8: A comment was received that the Draft Plan defined “blighted area”, rather than “blighted structure”, and that not all structures within a blighted area should be considered to be blighted.

Response: The Final Plan has been revised to provide a definition of “blighted structure”, as required by the federal guidelines.

Comment # 9: A comment was received that it seemed inappropriate that 350 units might be demolished, while the number of housing units to be constructed might be only 75.

Response: First, the number of units in each case is an estimate based on the Department’s budget estimates; the actual budget figures and # of units will depend upon local plans and priorities. In other words, the ratio of new construction to demolition could be significantly different than the 75 and 350 unit projections. Secondly, the federal guidelines have explicitly waived the one-for-one replacement requirement. It would appear that the reasoning behind this waiver is that, in some neighborhoods, the market is being depressed because of the existence of too high a number of foreclosed upon and vacant structures. In some cases, though not all, replacing all of the demolished units might continue to keep the market depressed, due to an oversupply. This consideration will have to be made on a community-by-community and case-by-case basis, but the overall recognition is that more units may be demolished than the number of units that are newly-constructed.