

Business Disaster Recovery Programs Residential Landlord Business Support Program Guidelines

Program Description

The program element is designed to compensate for lost rental revenue for residential rental landlords providing affordable housing, whose rental units were physically damaged by the disaster. Landlords may receive up to \$15,000 per business tax identification number.

Definitions

- *“Administrative entity”* means the direct applicants for this activity who are the cities of Cedar Falls, Cedar Rapids, Des Moines, Iowa City and Waterloo, and “lead” counties applying on behalf of the six Disaster Recovery Areas designated by IDED.
- *Affordable Rental Units* – means those units contained in the mortgaged property and contained in the agreement for covenants and restriction that are occupied by low and moderate income families at any given time. Affordable rental units (in the appropriate number as described later in these guidelines under national objective) are to be retained at all times as affordable rental units throughout the period of affordability (5 years) through income limitations of the tenants occupying those units and through rent limitations for the tenants occupying those units.
- *“Project”* – means a site or sites together with any building or buildings (including manufactured structures that are taxed as real property) located on a site or sites that are under common ownership, management and financing and are to be assisted with CDBG Supplement funds as a single undertaking and includes all activities associated with the site(s) and building(s).
- *“Disaster Event”* means the federally declared 2008 Iowa tornado, flood and storm events, which occurred between May 25 and Aug 13, 2008.
- *Physically damaged”* for the purpose of this program means physical damage caused by flooding including overland flow, or physical damage caused by tornado. Damage caused by sanitary or storm sewer backup is not included unless the department determines that such damage was a direct result of the 2008 natural disaster(s).

Eligible applicant must meet the following:

- A residential rental property owner (individual; for-profit entities; and non-profit entities)
- Rental property owners must have been the owner of record of the property (or properties) for which funding is sought prior to the date of the 2008 natural disaster(s).
- Common ownership must have been in place both pre-disaster and active post-disaster.
- This activity is available only to residential rental property owners that agree to comply with all federal, state and local requirements (including but not limited to: these guidelines; Fair Housing and Equal Opportunity; accessibility for persons with disabilities; local rental housing codes and requirements; etc.)
- Residential property owner provides executed lease agreements from tenants prior to the disaster.
- Owner provides documentation that rehab of the building is complete and it has been rented with a minimum one year lease by a verifiable tenant.

Eligible properties:

- The activity is available only to rental property owners whose properties were *physically damaged* by flooding, including overland flow, or physical damage caused by tornado. Damage caused by sanitary or storm sewer back up is not included unless the department determines that such damage was a direct result of the *disaster event*.
- At least one residential rental unit in the project had to have been affected (damaged, impacted) by a disaster event in order for the project to be eligible for assistance. For individual structures (buildings) in scattered sites types of projects, all structures must have had at least one residential rental unit affected (damaged, impacted) by a disaster event in order for those structures to be eligible for assistance. An example of a rental unit impacted by a disaster event might include items such as mechanical systems or electrical systems located in a flooded basement that serve rental units located on first or upper floors of the structure.;
- In order to be eligible for assistance, the rental property owner must be able to demonstrate and document that their property was *physically damaged* by a disaster event.
- The property must meet all applicable property standards after being rehab. The CDBG Entitlement Cities and communities with populations at or greater than 15,000 need to comply with locally adopted and enforced codes, standards and ordinances. For the remainder of the State, in the absence of any locally adopted and enforced codes or standards, the requirements of the State Building Code apply;
- The CDBG Supplemental funds are subject to the requirements of the Federal Lead Safe Housing regulations, impacting all multi-family dwelling units and projects that are constructed prior to January 1, 1978.
- No assistance for structures or projects located within the 100-year floodplain will be allowed, unless the activity meets all HUD environmental requirements, all applicable flood mitigation design standards, and the property is insured by Federal Flood Insurance.
- No assistance is available for lost rental revenue to property owners whose structures or projects are located in designated or proposed buy-out areas will be allowed.
- No assistance is available for property owners for lost revenue to an owner occupied unit.

Additional guidelines

- CDBG National Objective – All assisted rental properties must meet the national objective of “Primarily benefits persons of low and moderate income – Housing”. Effectively, this means that at least 51% of the units in an assisted property must be occupied by persons or households whose incomes are at or below 80% of the area median income limits (LMI).
 - In a one unit project – the one unit must be made available to and occupied by a LMI tenant.
 - In a two unit project – one of the two units must be made available to and occupied by a LMI tenant.
 - Projects of three or more units – 51% of all units in the project (rounded up to the nearest whole number) must be made available to and occupied by a LMI tenant (e.g., in a four unit project, three units must be made available to and occupied by LMI tenants).

Scattered site projects accomplished as a single undertaking shall take into consideration the individual properties on the various sites when determining national objective compliance (e.g., a seven single unit project on seven different sites must all be available to and occupied by a LMI tenant).

Following the provision of CDBG Supplemental Funds assistance to a project (i.e., following reimbursement of costs, rehabilitation costs, lead hazard reduction costs, etc.), when all work has been completed and accepted and the forgivable loan and deed restriction has been recorded; the 5-year term of

affordability begins. It is at this juncture (initial occupancy following the provision of assistance) that the appropriate number of units in the project needs to be occupied by LMI tenants and subsequent rents limited on those units. If any rental units are occupied with over-income tenants at this juncture, there may be a need to permanently displace over-income tenants. Permanent displacement is subject to the requirements of the Uniform Act, for which the applicant is responsible.

- Maximum (gross) rent limits on the CDBG Supplemental Funds assisted (affordable) rental units (by bedroom size) shall not exceed the most current HOME Program Fair Market Rents (HOME FMRs). Net rents must be calculated based upon the utility allowances established by the local public housing authority that has jurisdiction for the area served.
- Rental property owners of CDBG Supplemental funds assisted projects shall agree to a five-year period of affordability in terms of tenant income restrictions (limitations) and through affordable rent limitations (controls) on all CDBG Supplemental funds assisted rental units serving LMI tenants, maintaining the appropriate number of affordable rental units for the entire five-year period.

Long term affordability requirements shall be secured through an agreement for covenants and restrictions that ride with the assisted property's land.

Through the period of affordability, assisted rental property owners shall ensure that the appropriate number of rental units remains affordable to, and are occupied by, income eligible and verified LMI tenants. All assisted rental units shall be subject to the maximum rent limitations (HOME Program FMRs, by bedroom size) applicable to all assisted rental units for the five-year period of affordability.

- Award will result in a contract between the IDEED designated Disaster Recovery recipient and the rental property owner.
- Disaster Recovery administrative entity will upload into Service Point the approved application for Residential Landlord Program and all supporting documentation used to determine eligibility.

Eligible program activities; maximum amount of assistance

- Amount of assistance is limited to \$15,000 per business taxing entity.
- Loss is computed at the pre-disaster lease rate.

Duplication of Benefits

- Business has completed and submitted the required Duplication of Benefits Affidavit.

Program Termination

- Applications for funding for this program shall be received by the administrative entity by June 30, 2010.
- Application period may be terminated if funds are not sufficient