

COUNCIL ACTION FORM

SUBJECT:PROGRAM GUIDELINES FOR ADMINISTERING OF “IOWANS HELPING IOWANS” DISASTER ASSISTANCE PROGRAM

BACKGROUND:

On August 23, 2010, Governor Culver announced the Iowans Helping Iowans (IHI) program as part of the State’s flood recovery efforts. This housing plan was designed to help bridge the gap between the immediate needs of Iowans and assistance being made available through FEMA. Iowans Helping Iowans for “residential units” (owner-occupied only) is managed by the Iowa Finance Authority (IFA).

Under this assistance program, IFA grants funds to local government participants such as cities and Councils of Governments. On August 31, the City Council approved a resolution for the City to administrate the program within Ames. The City, in turn, will loan the funds to eligible residents under the conditions specified. Forgivable loans will be made available for the following purposes:

- To assist homeowners in purchasing homes generally comparable to those they lived in prior to the occurrence of the natural disaster of 2010; and
- To assist homeowners with the cost of repairing or rehabilitating disaster-affected Homes.

Funds are provided under this program by the State of Iowa, and are restricted to owner-occupied primary residences. They come in the form of loans that will be forgiven over a 5-year period at a rate of 20 percent per year, as long as the home owner remains in the home. If the homeowner sells the home before the end of the five year retention period, the homeowner must repay the remaining loan balance upon the sale of the home.

To be eligible, local homeowners must have registered with FEMA and been awarded some form of FEMA housing assistance. Assistance provided under the program must be in compliance with all applicable local and state rules and ordinances, including but not limited to those relating to building codes, zoning, flood plain ordinances, lead-safe renovators and work practices, and asbestos inspection and removal.

To date, eight applications have been received with one not meeting program requirements. Staff has contacted and inspected the homes of the remaining seven applicants. As staff reviewed the IFA guidelines in comparison with the application requests, it was found that the guidelines are too broad to be able to consistently treat each application in a fair and equitable manner.

IFA's contract allows and encourages administrators to adopt more specific repair criteria that meet the needs of their respective jurisdictions. Before doing this, staff consulted with several other administrators to determine what program criteria they were using in their jurisdictions. With that background information, staff created the attached program guidelines that more specifically address the needs for the City of Ames.

Some highlights of the guidelines include:

- Repairs or reimbursement must be made to correct damage to the **existing three basic systems** (mechanical, plumbing, or electrical). These items will include the repair or replacement of the following: Furnaces, water heaters, and wiring.
- Repairs or reimbursement must be made to correct damage to the **existing** basic structural items and replacements shall be of similar materials and cost. These items will include, but are not limited to, the repair or replacement of the following:
 - Drywall, insulation, windows, walls, doors, framing, trim
 - Window wells, bathroom vanities
 - Carpet or other flooring material

Repairs which exceed local codes are not eligible for funding.

- Reimbursement for the cost of demolition/clean-up not to exceed \$300 lump sum.
- Miscellaneous items or situations: If a bedroom in a basement has non compliant egress windows, no payment shall be made for any work items in that room. If there is other building or other local code violations, no payments will be made for related work items.
- Reimbursement and/or repair cost may be provided for the following mitigation and/or prevention methods: Increasing window well heights, grading around foundation, sanitary sewer back-water valves, and sump pumps with collection systems

It is important that needed repairs be made in conformance with our local construction codes and have received any needed building permits. If building permits were not obtained prior to making repairs, the homeowner will be responsible to retroactively apply for needed permits. If code compliance cannot be verified, no reimbursement for those repairs will be given.

Under the proposed Guidelines, the City reserves the right to require additional receipts, cost estimates, pre-existing conditions certifications, photos and other documentation it deems essential to verify requested reimbursements and/or repairs are necessary and that costs charged are reasonable within our market area.

Attached for Council's review are the proposed guidelines for the Iowans Helping Iowans Disaster Assistance Program for the City of Ames.

ALTERNATIVES:

1. The City Council can adopt the lowans Helping lowans Program Guidelines for the City of Ames as written.
2. The City Council can adopt the lowans Helping lowans Program Guidelines for the City of Ames with modifications.
3. The City Council can refer this item back to staff for further information.

MANAGER'S RECOMMENDED ACTION:

It is important to have more specific policies and procedures in effect to ensure that these funds are administered in as fair and consistent a manner as possible. The attached Program Guidelines provide a framework for this to happen.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby adopting the lowans Helping lowans Program Guidelines for the City of Ames as written. This action will allow staff to proceed with processing applications to assist eligible applicants under this program.

It is noteworthy that, notwithstanding the City's efforts to promote this program, only eight eligible applications for assistance have been received to date. As long as needy homeowners qualify through FEMA, assistance under this program continues to be available into November. Interested home owners who have an unmet gap after receiving FEMA assistance are encouraged to apply for this program.

**CITY OF AMES
IOWANS HELPING IOWANS DISASTER ASSISTANCE
PROGRAM GUIDELINES**

A. Eligibility Requirements

To be considered eligible for assistance under this program the following conditions and/or criteria shall be met:

1. Applicant/Borrower(s) Requirements

- a. Individual Homeowners whose homes were damaged by the 2010 natural disasters and are not proposed for buyouts may be eligible to receive financial assistance under this program for the necessary and reasonable cost of eligible repair expenses for a disaster-affected home determined feasible for rehabilitation. Individuals eligible for this assistance are not eligible for assistance under the Down Payment Assistance provision.
- b. The applicant/borrower(s) must be residing in the unit as the owner-occupant.

B. Eligible Service Area(s) & Property Requirement

1. City limits of Ames, Iowa.

2. Property Requirements

- a. Property must be located within residentially zoned areas.
- b. The residential structure must be conventionally constructed (i.e. Single-family dwellings, Town-homes, Condominiums or Modular homes). Mobile homes are considered personal property and **will not be eligible** under this program unless they are converted to real property according to Section 435.26 of the 1987 Code of Iowa.
- c. Rental properties and non-conforming units are not eligible for participation under this program.
- d. Property owners must have Homeowner's Insurance on the property.
- e. The property must be capable of standing rehabilitation, and program funds may not be used unless the property can be brought into conformance with the Housing Rehabilitation Repair Standards outlined in these guidelines.

2. Ineligibility Determination

The applicant/borrower(s) can be denied participation under the Program for any of the following reasons:

- a. False, misleading, or inaccurate statements or information presented by the applicant/borrower(s) at the time of application.
- b. Currently in default with any of the participating cities or other partner providing financial assistance under this program.

C. **Application Processing Procedure**

The following steps will be used in the taking and processing of applications for participation in this program:

1. The applicant/borrower(s) will be required to complete an application through the Iowans Helping Iowans web site as required by the Iowa Finance Authority. Once the information is transferred to the City of Ames, the following information will be requested to determine if they meet the requirements of the program:
 - a. FEMA Award Letter for Housing Assistance.
 - b. Current copies of driver's license or other legal form of identification.
 - c. Documentation of any monetary award received or any claim that has been denied from homeowner's insurance company.
 - d. Copies of documentation of other financial assistance received (i.e. grants funds from other organizations or charities).
 - e. Cost estimates for proposed necessary and reasonable repairs.
 - f. If seeking reimbursement for eligible expenses, receipts or other documentation of previous out-of-pocket expenditures for necessary and reasonable repairs that were completed along with copies of verifying that needed building permits were obtained prior to repair. If building permits were not obtained prior to making repairs, the homeowner will be responsible to retroactively apply for needed permits. If code compliance cannot be verified, no reimbursement for those repairs will be given.
2. Applications will be taken on a first-come, first-served basis.
3. Applicant/Borrower(s) not meeting the application requirements under Sections A and B will be notified in writing.

D. **Type of Assistance Available**

The following assistance is available through this program:

1. The amount of assistance available shall not exceed \$25,000 per unit. For purposes of calculating the amount of assistance available to the eligible resident, the estimated cost of repairs for the disaster-affected home shall be reduced by the amount of any disaster compensation received (e.g., homeowner's insurance, grants funds from other organizations or charities).

To receive financial assistance under the housing rehabilitation portion of the program, the applicant/borrower(s) shall sign a deferred mortgage and promissory note agreement with the City of Ames.

The City of Ames will place a five year, deferred, "forgivable", no-interest, second lien on all properties rehabilitated under this program to recapture all, or a part, of the financial assistance provided to the applicant/borrower(s) upon the occurrence of any of the following:

- a. Ownership of the property is sold or transferred to any party other than the surviving spouse of the borrower.
- b. Occupancy of the property by the owner(s) or the surviving spouse of the borrower ceases, for any reason other than temporary travel or illness, for a period of sixty (60) consecutive days, whether or not ownership of the property is transferred.
- c. Ownership of the property by the owner(s) or the surviving spouse of the borrower is sold or retained for rental purposes.
- d. Any default under or breach of the promises, terms, and conditions stated in the program policies and procedures, and/or mortgage instrument.

The deferred forgivable lien provision for recapture of the financial assistance provided shall be in accordance with the following schedule if one of the above conditions occurs:

100% payback during the first year following the date of the rehabilitation;
80% payback during the second year following the date of the rehabilitation;
60% payback during the third year following the date of the rehabilitation;
40% payback during the fourth year following the date of the rehabilitation;
20% payback during the fifth year following the date of the rehabilitation; and
After the fifth year following the date of the rehabilitation, if all promises, terms, and conditions have been kept, 100% of the lien shall be forgiven.

Under each of the above program phases:

The note shall be transferable, with the approval of the City of Ames, to heirs or relatives of the borrower, provided that the heirs or relatives reside in the home and comply with income guidelines valid at the time of transfer.

However, if the property is no longer occupied by the borrower or a program-eligible relative of the borrower, regardless of whether or not the title to the property is transferred, under the terms of the note the principal loan amount is immediately repayable to the City of Ames in full.

An additional requirement of the program requires the purchase and

maintenance of a Homeowner's Insurance Policy for the term of the note.

2. **Disbursement of Funds**

Before funds will be disbursed under this program, the following requirements shall be adhered to:

- Receipts and/or cost estimates must be from registered and/or licenses contractors, along with proof of insurance.
- Verification from the applicant/borrower or contactor that appropriate building permits have been requested.
- Applicant/Borrower(s) will be responsible for selection of their contractor(s) and must provide to the City a copy of a signed, written contract between the applicant and contractor(s) before commencing work.
- Applicant/Borrower(s) and/or occupants of the property are not eligible to act as the contractor.
- The applicant must submit a release of payment request to the City of Ames and the contractor will be required to submit lien waivers.
- The City of Ames will disburse checks payable to both the applicant and the contractor(s).
- The City of Ames shall verify all requested repairs before an application will be approved and/or before work can commence.
- All repairs must be inspected prior to any payments being disbursed from the City of Ames.

E. **Housing Rehabilitation Repair Standards**

1. **Building Code Standards**

All eligible housing repair work performed on properties under this program shall comply with the following requirement and/or standards:

- Meet the minimum structural and safety standards of the International Residential, Mechanical, Fuel Gas Codes, as well as the Uniform Plumbing Code as adopted by the City of Ames and the 2008 National Electrical Code.

This will include the cost(s) of bringing the property into compliance with the minimum structural and safety standards of the above referenced codes, as described below:

2. **Eligible Repairs**

- a. Repairs or reimbursement must be made to correct damage to the **existing three basic systems** (mechanical, plumbing, or electrical). These items will include the repair or replacement of the following:
 - Furnaces, water heaters, wiring
- b. Repairs or reimbursement must be made to correct damage to the **existing basic structural items and replacement shall be of similar materials and cost.** These items will include, but are not limited to, the repair or replacement of the following:
 - Drywall, insulation, windows, walls, doors, framing, trim
 - Window wells, bathroom vanities
 - Carpet or other flooring material (not to exceed \$22 per square yard)

Repairs which exceed local codes are not eligible for funding.

b. **Clean-up cost**

Reimbursement for the cost of demolition/clean-up shall not exceed \$300.00 lump sum.

c. **Mitigation Prevention**

Reimbursement and/or repair cost may be provided for the following mitigation and/or prevention methods: increasing window well heights, grading around foundation, sanitary sewer back-water valves, and sump pumps with collection systems.

d. **Miscellaneous items or situations**

If a bedroom in a basement has non compliant egress windows, no payment shall be made for any work items in that room. If there are other building or other local code violations, no payments will be made for related work items.

2. **Ineligible Reimbursement or Repair Costs**

Except as otherwise provided in this document, repair assistance shall not be provided for:

- a. New construction, substantial reconstruction, expansion of the structure, or the finishing of unfinished spaces.
- b. New construction of garages or outbuildings, etc., which are not replacing an existing structure when required.
- c. General property improvements (those items not included or required under the Eligible Repairs Section) shall include, but not be limited to:

- The repair, replacement, or removal of "cosmetic-type" improvements such as stoves, counter tops, carpeting, linoleum, wallpapering, non-essential painting, etc.
 - Work so excessive as to be equivalent to new construction or substantial reconstruction of the property (not to exclude "gut" repair). The "shell" of the building shall be intact at a minimum to not be considered "new construction."
 - Swimming pools, hot tubs, whirlpools, furnishings, decks, window treatments, refrigerators, ranges, microwaves, dishwashers, window air conditioners, clothes washers & dryers, machinery, etc.
 - Garages
- d. Acquisition of land.
 - e. Refinancing of existing debt against the property or the applicant/borrower(s).
 - f. Financial satisfaction of outstanding liens, judgments, etc. against the property or applicant/borrower(s).
 - g. Repairs to mobile homes or manufactured homes if the property is not taxable as real estate.
 - h. Costs of repairs incurred prior to execution date of the program contract or not included in the program contract.
 - i. Tools, machines, pumps, wet vacuums, etc.
 - j. Appliances (i.e. washer, dryers, freezers, refrigerators, etc.)

F. Subordination of State IHI Funds

The City of Ames will subordinate an IHI retention agreement only under the following circumstances:

- a. If the homeowner is re-financing 100% for the sole purpose of obtaining a lower interest rate on their primary mortgage and the re-financing does not involve the homeowner attempting to re-finance or pay off debt not directly related to their home, such as car loans, credit card debt, etc.
- b. If the re-financing does involve either paying off or re-financing consumer debt, the City of Ames will consider subordination, only if the new loan plus the amount of pro-rated IHI Assistance, does not exceed the appraised value of the property being refinanced.

G. Retention of Records

All records associated with the Iowans Helping Iowans Housing Assistance Program will be retained for a period of not less than three years following notification from IFA the project is completed.

H. Project Close-out Procedures

Upon completion of all project activities, the City of Ames will submit to the Iowa Finance Authority any required documents.

I. Complaint/Dispute Resolution Processes

The applicant/borrower has the right to appeal the assistance provided to the City of Ames, Iowa Finance Authority (IFA) or Rebuild Iowa Office (RIO).

The City of Ames reserves the right to require additional receipts, cost estimates, pre-existing conditions certifications, photos and other documentation it deems essential to verify requested reimbursements and/or repairs are necessary and that costs charged are reasonable within our market area.