

ITEM #:	27
DATE:	07-28-26
DEPT:	P&H

COUNCIL ACTION FORM

SUBJECT: STORY COUNTY LOW AND MODERATE INCOME HOUSING SUPPORT PROGRAM APPLICATION

BACKGROUND:

Story County announced the intent to utilize tax increment financing (TIF) revenue from the County's Urban Renewal Area to support the construction of new affordable housing within the County. Local governments are eligible to apply for the funding by August 5. If the funds are awarded, the local government would be reimbursed for costs for construction when the County collects TIF revenues annually within its Urban Renewal Area.

Staff believes that applying for these funds would facilitate the City's plan to utilize federal HOME funds to construct three ownership single-family homes for low and moderate income households. The requested funds can be counted as the required 25% local match for use of HOME funds.

As part of the City's 2026-27 CDBG/HOME Annual Action Plan, the following project is proposed under the HOME Program:

- New Single-Family Home Construction— \$895,732 (not including administration). This proposed budget would assist in constructing approximately three (3) of the remaining six (6) affordable lots in the Baker Subdivision. Over the last several years, funds were budgeted under this activity to build a fund balance to construct single-family housing for low- and moderate-income first-time homebuyers, as outlined above. Under the HOME program (unlike CDBG), HUD has a mandate requiring recipients to contribute twenty-five percent (25%) from non-federal sources for every \$1 of HOME funds they spend on affordable housing. This requirement is designed to mobilize local, state, and private resources to permanently increase the availability of affordable housing.

In April 2026, the City was notified that Story County would implement a "New Housing Incentive Fund" and was invited to attend a required meeting about the program if the City was interested in applying. In May 2026, Story County announced that applications were being accepted for its "Urban Renewal Area Program under its Story County, Iowa LMI Housing Support Program. Under this program, Story County has set aside approximately \$2 million for cities to apply for one of the following types of projects:

Program Element	Criteria
1. New construction of LMI units – can be for sale or for rent and can be single-family or multi-family. (Projects may include LIHTC developments, tiny homes, or traditional development.)	• Sales price, rental rates, buyers and renters must all meet LMI requirements • Income restrictions on beneficiaries required.
2. Rehab of LMI multi-family units - can be for sale or rent. (Projects may include adaptive reuse, conversion of spaces, and rehab of existing units.)	• At time of application, location of units will need to be known. • Terms of affordability must be maintained. • Sales price, rental rates, buyers and renters must all meet LMI requirements
3. Purchase of lots for LMI construction.	• Sales price and buyer must both meet LMI requirements • Income restrictions on beneficiaries required.

Based on the above program criteria, this funding opportunity would meet the City's HOME local match requirements and provide the additional dollars needed to construct the three homes outlined in the 2026-27 CDBG/HOME Annual Action Plan under the New Single-Family Home Construction activity.

Staff proposes the following project description and budget.

Item	Detail
Project Name	LAUNCH Homeownership Project Initiative
Project Output	Three (3) Single-Family Homes Baker Subdivision
Project Timeframe	August 2026-December 2027
Project Proposed Budget	\$1,177,735
HOME Funding	\$895,735
URAP Funding	\$230,000 (25% of HOME FUNDS)
Project Outcome	Three newly constructed owner-occupied homes for low- and moderate-income-qualified households, i.e. household earning less than 80% of AMI.

The funding from the URAP is not available until July 2027. This funding timeframe is feasible for the City to begin the process of identifying a builder or use of modular housing this winter and to begin construction most likely in 2027 utilizing the City's HOME funds.

The City can begin the process while awaiting the County funds since the local match requirement is not determined until after project completion. If the City is not successful in securing these matching funds, the project will likely be delayed while alternative matching dollars are determined and secured.

ALTERNATIVES:

1. Authorize staff to prepare a Grant Application for the Story County Urban Renewal Area Program-LMI Housing Support Program Application to support the construction of three single-family affordable housing units in the Baker Subdivision consistent with the City's 2026-27 CDBG/HOME Annual Action Plan.
2. Authorize staff to proceed as described in Alternative No. 1, with modifications.
3. Do nothing.

CITY MANAGER'S RECOMMENDED ACTION:

The submittal of an application to apply for funding through Story County's Urban Renewal Area Program will provide the City with funds to accelerate implementation of its 2026-27 HOME New Construction Single-Family Affordable Housing Project in the Baker Subdivision. Additionally, if awarded, the funds would be eligible to be counted as local match dollars as required by the HOME Program and would allow the City to continue to address its Affordable Housing goals in completing the Baker Subdivision. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1.