



## City of Cedar Rapids Single Family – New Production Program 2<sup>nd</sup> Round

### PROGRAM BACKGROUND

In June 2008, the City of Cedar Rapids experienced catastrophic flooding that devastated neighborhoods. As a result of this flooding, there are an estimated 600 properties in the affected neighborhoods that are not located in any geographically defined buyout area, but are determined to be beyond reasonable repair.

In June of 2009 the City of Cedar Rapids with partnership with the Iowa Department of Economic Development administered the 1<sup>st</sup> Round of Single Family – New Production Program. The first round resulted in funding for 184 units in the Cedar Rapids market area.

The following chart shows the breakdown of the first round:

Price Point	Condominiums	Single Family Detached
\$0 - \$115,000	23	20
\$115,000 - \$130,000	33	1
\$130,000 - \$158,000	25	9
\$158,000 - \$180,000	0	73
<b>Total</b>	<b>81</b>	<b>103</b>

### PROGRAM OVERVIEW & GOALS

Working from the best practices established through the City's successful partnership with IDED and local builders for the "Single Family – New Production Program," the City will this time target resources to the core neighborhoods of City of Cedar Rapids. The attached map outlines the development focus areas for the 2<sup>nd</sup> round. Each application will be reviewed and scored on a point system. Points will be given to builders and developers based on 1) Experience in affordable housing. 2) Green building principles. 3) Mix of housing product type. 4) Price range of housing product. 5) Location of housing product within the 3 tier system shown on attached map. Tier one housing will receive 50 points Tier Two housing will receive 25 points and Tier Three will not receive points.

- Submission of development plans to IDED are due no later than March 1, 2010. IDED will require a minimum of 30 days for its review and approval of individual development plans. It is IDED's goal to approve all development plans ahead of the 2010 construction season.



- Recipients will have until December 31, 2011 to have all single-family dwelling units completed under this program.
- This program is limited to newly constructed single-family / single unit dwelling units. Manufactured single – family dwelling units are permissible providing they are affixed to a permanent foundation and will be taxed as real property upon completion. Duplex Condominium style –family projects for individual homeownership are also permissible. No more than two units per condominium will be allowed. Priority will be given to single family housing on the scoring system.
- Builders and developers selected for participation under those proposals should offer a variety of types and styles of housing, various sizes (square footage) and units with various numbers of bedrooms and bathrooms; all within the per unit project cost limitations. Development plans will need to be specific project by project and collective of all projects and units.
- Newly constructed single-family units under this activity shall be made available for sale only to persons or households whose incomes are at or below the median (100%) income limits as established by HUD, by county and by household size. Additionally, one-half of all newly constructed single –family units constructed under this activity shall be made available for sale only to persons or households whose incomes are at or below 80% of median income as established by HUD, by county and by household size.
- Each builder who applies and is approved for this program will be committed to building and selling one half of their allocated homes to households whose incomes are at or below the median income of 80%.

**Example:** ABC builder applies for 6 single family homes to be built on 123 Grand Ave. 3 of the homes must be sold to persons at or below 80% of the median income.

Below are the median income guidelines for this program:

**80% Average Median Income (AMI)**

1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
\$37,850	\$43,300	\$48,700	\$54,100	\$58,450	\$62,750	\$67,100	\$71,400

**100% AMI**

1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
\$47,300	\$54,100	\$60,800	\$67,600	\$73,000	\$78,800	\$83,800	\$89,200

**First Round Results**

Below 80% AMI	Under \$150,000	70%
Below 80% AMI	Over \$150,000	54%



- There is a maximum per unit development cost cap of \$180,000. For one half of all single-family units constructed under this program, there is a maximum per unit development cost cap of \$150,000.
- There is a maximum per unit CDBG-DR acquisition subsidy investment cap of 25% of per unit development cost cap, unit by unit.
- Assistance under this activity is provided as acquisition assistance (down payment or mortgage buy-down) invested into individual projects at the assisted homebuyer's individual principal loan closing. Assistance under this activity will not be allowed to be combined with Federal Jumpstart Homebuyer Assistance or State Jumpstart Down payment Assistance or Single Family Unit Production – New Construction from the first round of funding on the same dwelling unit or to the same person / household (homebuyer) served. Buyers who were impacted by the 2008 disasters are subject to a Duplication of Benefits check to determine final subsidy amount.
- Effectively, the CDBG-DR funds, provided as acquisition subsidies, are used to buy-down the cost-to-construct, including the land on which it is constructed, to an affordable sales price and an affordable loan amount for income eligible homebuyers.
- Newly constructed single-family dwelling units under this activity shall not be constructed in a 100 year flood plain or within buy-out areas, known or proposed. The exception to the buyout area limitation is that units to be constructed in buyout areas located in the 500 year flood plain that are specifically being bought out for designated purpose of redevelopment and approved for such in the CDBG-DR funded buyouts.
- All newly constructed single family units shall be designed and constructed in accordance with all locally adopted and enforced building codes and standards. In the absence of any locally adopted and enforced building codes or standards, the requirements of the Iowa State Building Code shall apply.
- It is IDEED and the City of Cedar Rapids goal to utilize the funds in a manner that results in green-built, sustainable single – family structures. For all available in-fill lots and all available sub-division lots for single-family construction under this activity, all newly single-family housing should, to the extent possible, meet requirements of the Iowa Green Streets Criteria. Minimum criteria must be met as listed in the application form.
- Each application shall identify three regulated lenders and obtain from them a commitment of their willingness to participate. There needs to be adequate lender choice opportunities available to assisted homebuyers.
- Participating lenders shall offer principal loan products that minimally meet the following criteria:



- Loan interest rates cannot be higher than four percentage points above the federal prime interest rate at the time of loan commitment;
  - Loan-to-value ratios (LVRs) at 75%.
  - No less than a 15 year, fully amortized, fixed-rate mortgage may be used (early pay-off provisions must be allowed)
  - No adjustable rate mortgages or balloon payment types of mortgages will be allowed.
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- The participating builder's of the single-family housing under this activity shall obtain their own construction financing for all dwelling units they construct.
  - Builders will be allowed a builders fee (overhead and profit). Builders making applications within the tier one area identified on the map are allowed a builders fee of up to fifteen percent of the cost of construction, each individual dwelling unit. For builders making applications within the Tier Two and Tier Three areas, builder's fee shall be limited to an amount not to exceed 10 percent of the cost of construction of each individual dwelling unit. Builders fees shall be included within the total cost to construct and contained within the per unit development cost limitations.
  - Homebuyer purchased properties under this program must result in ownership in the form of fee simple title or 99 year leasehold. Condominium single-family structures shall have deed restrictions or covenants in place prior to sale regarding this type of ownership.
  - The CDBG-DR funds subsidy amounts provided to assisted homebuyers (not including project delivery cost or general administration) must be secured as a mortgage lien on the assisted homebuyer's purchased property behind (recorded in junior position) the principal lender's mortgage loan. The assistance shall be provided as a five-year receding forgivable loan. Payback of funds will be required if the assisted homebuyer sells, vacates, rents or abandons their purchased property any time within the five year period.
  - With the exception of a Habitat for Humanity principal loan product, the principal mortgage loan must be the only repayable loan in all individual homebuyer assistance projects under these proposals.

## **PROGRAM GUIDELINES**

### **Eligible lots**

- Eligible lots will be within the corporate limits of Cedar Rapids.
- Lots shall NOT be located in the 100-year flood plain.
- Lots shall not be located in the City's geographically defined "Greenway" or "Construction Study" areas.

### **Builder Criteria**

- Builders will submit an application to the City of Cedar Rapids to participate in the program.
- Builders must obtain their own construction financing and provide a letter of commitment from the financial institution.
- Builders must have commitment from at least three financial institutions to provide the end loans to the qualified buyers of the new units.
- Applications will be scored competitively based on factors such as previous experience, experience with affordable housing, sustainability, quality design, and green building.
- Builders will be allowed a builders fee (overhead and profit). Builders making applications within the Tier One area identified on the map are allowed a builder's fee of up to fifteen percent of the cost of construction, each individual dwelling unit. Builders making applications within the Tier two and Tier Three areas will be allowed a builder's fee of up to 10 percent of the cost of construction of each individual dwelling unit. Builders fees shall be included within the total cost to construct and contained within the per unit development cost limitations.

### **Unit Criteria**

- Units may be single family detached homes or duplex attached condominium style homes. No structures with more than two units will be allowed in the program.
- Units will comply with the City's Design Guidelines and be consistent with the scale and character of the surrounding neighborhood.
- Units will comply with mandatory minimum "green building" requirements, with incentive points given for measures that exceed the minimum criteria.
- Units will be allocated in two price points to provide a range of options. The 25% subsidy will be based on the builder's proposed price; upgrades to proposed buildings are allowed but will **NOT** be subsidized by the program funding and will be at the expense of the buyer while meeting the program Loan-to-value ratio of 75%.

- The units funding breakdown will be as follows:

\$0 to \$150,000	125 units
\$150,000 to \$180,000	110 units

### **Infrastructure Criteria**

Based on the City’s recent experiences with its Housing and Neighborhood Development program, infill housing is often more challenging to develop due to the need to upgrade or replace existing infrastructure. To address this \$3,000,000 of the total allocation of the SFNC -2 will be set aside for new and infill development infrastructure.

### **New Development guidelines:**

- There will be a cap of \$12,000 per lot that is in addition to the buyer subsidy.
- The Developer will present a development concept drawing and projected timeline with the application.
- All new developments will be required to meet the Iowa Green Streets minimum criteria.
- The Iowa Green Streets information can be found at <http://www.iowalifechanging.com/community>.
- All new developments will be within the geographic delineated boundary of the program.
- The development must meet all applicable City zoning requirements in a timely manner and included in the project timeline.
- All single-projects developing eight (8) or more lots are subject to Davis Bacon and Related Acts (DBRA) requirements.
- All projects will be required to complete a Section 106 and Environmental Review according to Title 24 CFR Part 58.
- Each application will be reviewed and scored on a point system. Points will be given to builders and developers based on 1) Experience in affordable housing. 2) Green building principles. 3) Mix of housing product. 4) Price range of housing product. 5) Location of housing product within the 3 tier system shown on attached map. Tier One housing will receive 10 points Tier Two housing will receive 5 points and Tier Three will not receive points.

### **Infill lot guidelines:**

- A site plan shall be submitted with the application.
- Proof of all cost will be given to staff prior to closing and disbursement of funds.
- Funds will only be given for the amount of actual expenses incurred to make necessary improvements.
- A cap of \$12,000 will be given per site that will be in addition to the buyer subsidy.

- All projects will be subject to a Section 106 and Environmental Review according to the Title 24 CFR Part 58.

### **Eligible Buyers**

- Half of all Eligible buyers will have incomes at or below 80% of the Area Median Income, adjusted for household size.
- Buyers must qualify for and obtain their own mortgage financing in the form of a standard mortgage loan product from a participating, regulated lender.
- Funds will be committed for individual buyers when an executed purchase contract for an approved unit is provided to the City. Ownership must be in the form of fee simple title or 99-year leasehold.
- Buyers must agree to maintain the acquired property as their primary residence for a period of five (5) years. In the event the buyer sells, rents, vacates, or abandons the property during the five-year retention period, the assistance must be repaid.
- Applicants that are flood victims will be subject to Duplication of Benefits policies to determine the funding award based on other forms of assistance.

### **Approved Loan Products & Lending Procedures**

- Loans must be in the form of no less than a 15-year, fully amortized, fixed rate mortgage. Early payoff provisions must be allowed.
- No adjustable rate, balloon, or adjustable rate mortgages will be allowed.
- Loan interest rates shall not exceed four percentage points above the federal prime rate at the time of loan commitment.
- Loan to value (LTV) ratios shall generally be at 75%, as the program provides a 25% down payment. If buyer is using a portion of the assistance to cover closing costs, the LTV shall not exceed 73% (combined LTV of 98%).
- The forgivable loan for the Single Family New Production program shall be senior to all debt other than the principle mortgage on the property.
- No subordination of the forgivable loan (such as for refinancing or home equity loans) will be allowed during the five year retention period.

### **Other Federal Requirements**

- All federal program requirements for the Community Development Block Grant (CDBG) Program shall apply to assisted units, including Environmental Reviews, Fair Housing & Equal Opportunity, Accessibility, Employment and Contracting standards, and Conflict of Interest.