

CHAPTER 27
NEIGHBORHOOD STABILIZATION PROGRAM

261—27.1(15) Purpose. The purpose of the neighborhood stabilization program is to prevent or reduce the decline of neighborhoods caused by abandoned and foreclosed homes, primarily by providing assistance for the redevelopment of the abandoned and foreclosed properties.

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261—27.2(15) Definitions. When used in this chapter, unless the context otherwise requires:

“*Act*” or “*HERA*” means Title III of Division B of the Housing and Economic Recovery Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009.

“*Activity*” means a discrete category of work as determined to be eligible under program guidelines.

“*Blighted structure*” means a structure exhibiting objectively determinable signs of deterioration sufficient to constitute a threat to public health, safety or welfare.

“*CDBG*” means the community development block grant program, authorized by Title I of the Housing and Community Development Act of 1974, as amended as of February 28, 2009.

“*Contract*” means the document executed between IDED and a recipient and all other instruments or documents executed by a recipient or otherwise required in connection with the contract, including the NSP plan or application together with any related submittal documents.

“*Entitlement community*” means principal cities of metropolitan statistical areas (MSAs); other metropolitan cities with populations of at least 50,000; and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities).

“*Foreclosed property*” means a home or residential property for which any mortgage or tax foreclosure with respect to such property is complete, and the title of such property has transferred to the appropriate person as determined under the mortgage or tax foreclosure proceeding.

“*Home*” means any type of permanent residential dwelling unit including, but not limited to, detached single-family structures, townhouses, condominium units, multifamily rental apartments (covering the entire property), and manufactured homes which are treated under state law as real estate and not personal property.

“*HUD*” means the federal Department of Housing and Urban Development.

“*IDED*” means the Iowa department of economic development established in Iowa Code chapter 15.

“*Land bank*” means any governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of homes and residential properties that have been foreclosed upon.

“*Low-income household*” means a household earning no more than 50 percent of the area median income as defined by HUD.

“*Low-income person*” means a member of a low-income household as defined above.

“*Low-, moderate-, and middle-income household*” or “*LMMH*” means a household earning no more than 120 percent of the area median income as defined by HUD.

“*Low-, moderate-, and middle-income person*” means a member of a low-, moderate-, and middle-income household as defined above.

“*Non-entitlement community*” means a unit of general local government which does not receive CDBG funds directly from HUD as part of the entitlement program (entitlement cities and urban counties). Non-entitlement areas are cities with populations of less than 50,000 (except cities that are designated principal cities of metropolitan statistical areas) and counties with populations of less than 200,000.

“*Residential property*” means, collectively, homes and vacant land currently designated for residential use, such as through a zoning ordinance.

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261—27.3(15) Program eligibility.

27.3(1) *Eligible applicants.* Eligible applicants are those communities within the state with the greatest need, as determined by IDED using the methodology specified by HUD, which would include the following factors: areas with the greatest percentage of home foreclosures, areas with the highest percentage of homes financed by a subprime mortgage-related loan, and areas likely to face a significant rise in the rate of home foreclosures.

27.3(2) *Eligible activities.* Eligible activities, as limited by federal law and regulation, are the following:

- a.* Financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
- b.* Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- c.* Establishment and operation of land banks for homes and residential properties that have been foreclosed upon;
- d.* Demolition of blighted structures;
- e.* Redevelopment of demolished or vacant properties.

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261—27.4(15) Allocation of funding. IDED will allocate the available federal funding between the large entitlement communities and the smaller non-entitlement communities based on measurable statistics relating to the three factors required by federal law relating to the determination of need as described in 27.3(1). After that division of funding has been determined, IDED will determine an amount to be allocated to each of the entitlement communities, based upon the need factors for each of the respective communities. If allocation results in an amount of funding to a community or communities that is too small to result in an effective program, IDED may reallocate those funds to the other entitlement communities according to the percentages calculated based on the need factors. The funding available to the smaller non-entitlement communities will be distributed on a competitive basis, upon receipt and review of applications from each community. The maximum award to a non-entitlement community will be \$1 million.

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261—27.5(15) Application procedures.

27.5(1) *Application procedures for entitlement communities.* Eligible entitlement communities shall submit to IDED a neighborhood stabilization plan that provides details on their proposed activities, includes a project budget, and demonstrates compliance with federal rules and regulations governing the program.

27.5(2) *Application procedures for non-entitlement communities.* Non-entitlement communities requesting funds must complete an application similar in content to the plan submitted by the entitlement communities.

27.5(3) *Application/plan contents.* The plan submitted by the entitlement communities, and the application submitted by the non-entitlement communities, shall include at least the following information:

- a.* General project description;
- b.* Budget for all activities;
- c.* Projected start and end dates;
- d.* Demonstration of how the project will meet all federal requirements, including the requirements to benefit households with incomes of less than 120 percent of area median income and that at least 25 percent of the funding will benefit households with incomes of less than 50 percent of area median income;
- e.* Targeted geographical area of the community for the proposed activities;
- f.* Additional detail on each of the separate proposed activities.

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261—27.6(15) Plan and application review process.

27.6(1) *Entitlement communities.* IDED will review each plan from an entitlement community to ensure that the proposed activities are eligible activities and that the plan as proposed is in conformance with federal law and regulations. Plans that meet both tests will be approved.

27.6(2) *Non-entitlement communities.* Applications from non-entitlement communities will be reviewed on a competitive basis. Each application will be reviewed, rated, and ranked by an IDED review committee on the following factors:

- a. Need for assistance;
- b. Impact of the proposed activities;
- c. Degree of targeting of the activities within the community;
- d. Timeliness of the proposed project;
- e. Degree to which green development concepts are incorporated into the proposal.

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261—27.7(15) Award process. Upon award decisions, each community that submitted a plan or an application will be notified in writing of the department's decision. Successful applicants will be required to execute a contract with IDED, which will include the proposed activities and budget, the terms of fund disbursement, the reporting requirements, and the federal and state compliance requirements.

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261—27.8(15) Project management.

27.8(1) *Requests for funds.* Recipients shall submit requests for funds in the manner and on forms prescribed by IDED.

27.8(2) *Record keeping and retention.* Recipients shall retain all financial records, supporting documents and all other records pertinent to the NSP activities for five years after contract closeout. Representatives of IDED shall have access to all records belonging to or in use by recipients pertaining to NSP funds.

27.8(3) *Performance reports and reviews.* Recipients shall submit performance reports to IDED in the manner and on forms prescribed by IDED. Reports shall assess the use of funds and progress of activities. IDED may perform any reviews or field inspections necessary to ensure recipient performance.

27.8(4) *Amendments to contracts.* Any substantive change to a contract shall be considered an amendment. Such changes would include time extensions, budget revisions and significant alteration of the funded activities that change the scope, location, objectives or scale of the approved activity. Amendments must be requested in writing by a recipient and are not considered valid until approved in writing by IDED following the procedure specified in the contract between a recipient and IDED.

27.8(5) *Contract closeout.* Upon contract expiration, IDED will initiate contract closeout procedures.

27.8(6) *Compliance with federal, state and local laws and regulations.* Recipients shall comply with all applicable laws and rules, including the applicable federal CDBG and HERA regulations, any provisions of the Iowa Code governing activities performed under this program, and with applicable local regulations.

27.8(7) *Remedies for noncompliance.* At any time before contract closeout, IDED may, for cause, find that a recipient is not in compliance with the requirements of this program. At IDED's discretion, remedies for noncompliance may include penalties up to and including the return of program funds to IDED. Reasons for a finding of noncompliance include, but are not limited to, the recipient's use of funds for activities not described in the contract, the recipient's failure to complete funded activities in a timely manner, the recipient's failure to comply with applicable state or local rules or regulations, or the lack of a continuing capacity of the recipient to carry out the approved activity in a timely manner.

27.8(8) *Appeals process for findings of noncompliance.* Appeals will be entertained in instances where it is alleged that IDED staff participated in a decision which was unreasonable, arbitrary, capricious or otherwise beyond the authority delegated to IDED. Appeals should be addressed to the division administrator of the division of community development. Appeals shall be in writing and submitted to IDED within 15 days of receipt of the finding of noncompliance. The appeal shall include

reasons why the decision should be reconsidered. The director will make the final decision on all appeals.

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These rules are intended to implement Iowa Code sections 15.108(11) and 15.109 and the Housing and Economic Recovery Act of 2008.

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