

NUISANCE PROPERTY AND ABANDONED BUILDING REMEDIATION LOAN PROGRAM LEGISLATIVE REPORT

Introduction

Iowa Code Chapter 15.338 charges the Iowa Economic Development Authority (IEDA) with administration of a Nuisance Property and Abandoned Building Remediation fund. Legislation creating the program requires IEDA to submit a report to the Legislature and Governor's Office in 2019 describing the program results and recommending program changes. This report includes information regarding awards made from July 1, 2015, through July 15, 2019.

Program Description

Iowa's Nuisance Property and Abandoned Building Remediation Assistance fund was created by the Legislature in 2015. The program provides financial assistance to communities to remediate buildings and structures that are a public nuisance and/or have been vacant and out of building code compliance for at least six months.

Funds may be used for a variety of activities including acquisition, demolition, disposal, redevelopment, and rehabilitation and repair. Allowable costs are those directly associated with the remediation of the property, such as construction materials, labor, engineering and architectural work. Ineligible program costs include developer fees, legal services, loan and financing costs, and costs for accounting services.

Cities may request funds to remediate multiple buildings/sites, provided the proposed redevelopment plan demonstrates the city's remediation efforts are coordinated and comprehensive. Projects funded through the program must be completed within the term of the loan.

IEDA's assistance under this program is in the form of a loan or forgivable loan. There is no minimum or maximum loan amount. However, IEDA reviews applications to ensure the amount of assistance is gap financing, which is unavailable through other funding sources. Interest rates vary between 0% and 3%, based on the proposed plan and negotiations between the city and IEDA. Loan terms range between 12 to 60 months, and IEDA works with cities to determine appropriate repayment terms. Cities are given the option to make quarterly, semi-annual or annual loan repayments.

Application Process

Community representatives contact IEDA staff to discuss program requirements and proposed projects. If it appears the project complies with requirements, the community submits an application for the Nuisance Property and Abandoned Building Remediation Assistance fund through iowagrants.gov. IEDA accepts applications and reviews applications on an on-going basis, as funds remain available.

Applicants are asked to describe how the proposed activities will allow the city to undertake remediation and/or redevelopment activities in a coordinated manner. Applications must also provide a project budget, information on the city's building stock, city financial information and demographic data.

IEDA uses the following review criteria to evaluate each application:

- Financial need of the community
- Extent of blight in the community
- Condition of housing stock in the community
- Administrative and operational capacity of the community
- Percentage of low- to moderate- income residents in the community

The maximum score for each of the five review criteria is 20 points, and the maximum score for an application is 100 points. Applications must achieve a score of at least 50 points to be considered for funding.

Applications with a score of at least 50 points are referred to the IEDA Director for a final funding decision and approval of loan rates and terms. Final funding decisions are based on application scores and the amount of program funding available.

Upon final approval, the city enters into a contract with IEDA outlining the conditions and terms of the loan.

Program Activity

Since implemented in July 2015, IEDA has approved eight loans totaling \$1.9 million dollars. One city declined to accept a loan after IEDA approved its application because the owner ultimately agreed to bring the building up to code.

To date, all applicants that requested funding have received notices of award. Attached to this report is a list of recipients, with the exception for the city that declined the award, amounts awarded, and a brief description of each proposed project funded.

Recommendations

Currently, Iowa Code 15.338 (6) states: If a city receives financial assistance under this section, the amount of any lien created for costs related to remediation of the property shall not include any moneys that the city received pursuant to this section to remediate the property.

IEDA recommends considering amending this subsection to allow cities to include these costs in loan requests to IEDA. While a city may file a lien against a property in an effort to recoup funds spent to address the property, there is typically more than one lien on the property, and it is quite unusual for a city to be in the first position. Therefore, when the property is sold and other lienholders paid, there is often very little, if any, left for the city to recoup. It may take years for a city to recoup any investment, as the timing is dependent on when, and if, the property is sold.

AWARD INFORMATION

City	Award Date	Amount	Amt. Repaid	Matching Funds	Activities
Letts	10/12/2017	\$60,000.00	\$15,000.00	\$39,500.00	Demolition of an old bank building and lot prep for site of abandoned school
Dows	12/19/2017	\$40,000.00	\$6,000.00	\$20,000.00	Demolition of two deteriorated, abandoned downtown commercial structures
Indianola	2/26/2018	\$125,000.00	\$25,156.15	\$-	Extensive repair of three deteriorated downtown buildings.
Keosauqua	1/2/2019	\$107,500.00	\$-	\$-	Demolition of two deteriorated, abandoned downtown commercial structures
Creston	1/2/2019	\$1,000,000.00	\$-	\$-	Demolition of large abandoned downtown building and repair to walls of adjoining
Chariton	2/26/2018	\$79,000.00	\$-	\$22,000.00	Demolition of vacant, collapsing downtown building
Woodbine	8/1/2016	\$60,000.00	N/A	\$-	Residential demolitions - Approved. Request from city withdrawn
Hamburg	7/1/2019	\$500,000.00		\$-	Residential demolition and clearance; starter funds for new construction
Totals		\$1,971,500.00	\$46,156.15	\$81,500.00	