



Invest DSM Developer Program: Renovation or New Construction of Single Family Residential

Updated January 2024

Mission, Purpose, and Goals

Invest DSM Mission:

Invest DSM provides holistic and innovative solutions that strengthen neighborhoods.

Program Purpose:

The purpose of this Single-Family Developer Program (this "Program") is to provide financial incentives that encourage investor-developers within designated investment districts established by the City of Des Moines or other governmental units located within Polk County, Iowa (each a "Special Investment District" and together, the "Special Investment Districts") to make above-market investments in properties that improve the desirability of the neighborhood.

Program Goals:

- 1) To deliver a single-family housing product that is competitive in the regional housing market.
- 2) To fund projects that accomplish some or all of the following:
 - Inspire neighbors to invest in their own homes,
 - Are complementary to existing neighborhood character, but help to set a new standard of quality and investment,
 - Appeal to one of the target markets identified in the Revitalization Plan for the Special Investment District where the property is located,
 - Have high-quality architectural design that exceeds the minimum standards required in City of Des Moines Zoning and Building Codes, and meets the guidelines of Invest DSM's Design & Construction Standards
 - Make modifications to improve an existing home's floor plan functionality.
 - Provide modern amenities uncommon in older urban neighborhoods.
 - Upgrade mechanical systems – plumbing, electrical, HVAC, etc. with energy efficiency in mind,
 - Utilize building materials that have durability and longevity,
 - Include higher-end interior finishes, trim work, etc.

Eligible Projects and Properties

- New construction of single-family home(s)
- Rehabilitation of single-family home(s)
- Acquisition of a single-family home, as part of the total project costs
- Demolition of a single-family home, as part of the total project costs
- Properties must be located within the designated Special Investment Districts.
- Project budget must show a need for a grant by Invest DSM to reduce or eliminate the gap between the total project costs and the estimated post-project value (the "Appraisal Gap").
- Funding request must be less than 50% of the estimated post-project value unless otherwise approved by the Invest DSM Board of Directors. The estimated post-project value is defined as

the value of the property once the project has been completed, based on an appraisal estimate or analysis of comparable sales. For rehab, this is the same as the “after-repair value”.

- Project meets at least two of the program goals.

Preferred Projects:

- Priority will be given to projects that improve property in substandard condition
- Size considerations for preferred projects:
 - Minimum of 1.5 baths (not including basement), preference for 2+
 - Minimum of 3 bedrooms

Invest DSM Funding Structure

- The purpose of the financial incentive from Invest DSM is to reduce or eliminate the Appraisal Gap in order to increase the market competitiveness of the housing stock in the applicable Special Investment District.
- Funding will be provided in the form of a grant.
- Invest DSM’s grant funds may not exceed 50% of the post-project appraisal value without authorization from the Board of Directors.
- The property must be sold to a buyer who will occupy the home as their primary residence. Exceptions to this covenant may be granted by the Invest DSM Board of Directors.
- Invest DSM and the Developer will agree upon an estimated post-project value at the time Invest DSM grant funds are committed, based on an as-complete appraisal estimate or analysis of comparable sales. *If the developer sells the property for more than 100% of the estimated post-project value, then upon closing of the sale, the developer shall immediately return an amount equal to 50% of the difference between the sale price and the estimated post-project value.*

Developer Eligibility and Prequalification Requirements

To be eligible to receive financial assistance for one or more projects, the developer must meet the prequalification application requirements. Requalification is required every two years, so long as developer remains in good standing in the City of Des Moines, Polk County, and the State of Iowa.

Once prequalification requirements have been met, a developer will only need to meet the project application requirements to apply for additional projects. Developers may submit both a prequalification application and a project application at the same time.

Please see Appendix A for a list of the documentation required to be pre-qualified.

Project Application Process

Subject to availability of funds, applications for the Invest DSM Single-Family Developer Program will be accepted and reviewed throughout each fiscal year.

1. **Consultation:** The applicant is required to meet with Invest DSM staff as early as possible to discuss proposed projects and develop project specifics prior to submitting a formal application. This helps ensure that all teams understand the programmatic design and financing information.

Developers should have the following information available for the consultation:

- Details on the existing condition of the subject property and its ownership
 - A preliminary Sources and Uses Statement that includes:
 - Acquisition cost and demolition cost (if applicable)
 - A preliminary scope of work and construction budget
 - An estimate of the end sale price, which becomes the estimated post-project value
 - An estimate of the funding request of Invest DSM
 - Any immediate health and safety concerns, code violation status
 - For new construction, schematic concept drawings, if available
2. **Determination:** After the initial consultation(s), Invest DSM staff will make a preliminary determination as to whether the project meets program requirements and is eligible for funding. A preliminary letter of eligibility or denial will be issued.
3. **Application:** If the project meets program requirements, the developer will need to submit a formal application. Applications will be reviewed for completeness and eligibility. If additional information is required, the applicant shall be provided with notice to submit additional information. Applications will be considered based on funding availability and alignment with program goals.

The application form for the Invest DSM Developer Program are available to pre-qualified Developers upon request from Invest DSM, by emailing Applications@InvestDSM.org or calling 515-221-8410. Application and additional information is also available online at www.InvestDSM.org.

Please see Appendix B for the project application requirements.

Invest DSM Design & Construction Standards

Invest DSM strives to invest in projects that exceed minimum design standards and code requirements. Invest DSM has developed a set of design and construction standards to act as guidelines for all projects as applicable to the work being completed on the project. These standards include material and design requirements and should be reviewed and incorporated into project specifications.

Please see Invest DSM Design & Construction Standards for details.

Contingency Requirement

Every project is required to have at least a 10% contingency built into the budget.

Change Order Process

All changes to the project—material, financial or otherwise must be approved by Invest DSM prior to work being done. Change Order requests may be granted on a limited basis. Financial change orders that add cost to the project will first be drawn from the contingency and then may be shared between the Developer and Invest DSM at Invest DSM's discretion.

Invest DSM staff is authorized to approve a change order request up to 25% of the change order amount or \$10,000, whichever is less, without needing the approval of the Board of Directors. Change orders above that amount must be approved by the Board of Directors.

To request a change order, a Change Order Request Form must be filled out and approved by Invest DSM prior to any work being performed.

Draw Request Process

Depending on the size of the project, Invest DSM funds may be disbursed in either a single or in multiple payments, as agreed to in the funding agreement. When multiple disbursements are required, periodic draw requests may be completed as materials are purchased and work is completed.

To receive a draw, a draw request form must be completed. Invest DSM Staff will review the request, inspect work completed, verify any City permits and inspections are in place, and approve or deny the request before processing payment. Payments will be issued within ten (10) business days of approval.

- No funds can be advanced until the project begins.
- At least 20% of Invest DSM's funding contribution will be held until the project is complete, a lien waiver has been signed and submitted from the general contractor validating that all sub-contractors have been paid in full for all work done on the project, and a certificate of occupancy has been issued.

Appeals

Appeals of a project application decision must be in writing and mailed to Invest DSM within 10 days of the date of the decision(s), identifying the applicant, proposed project, basis/reasons for appeal, and any other information deemed relevant by the appellant. Appeals will be reviewed and considered by the Executive Director. The Executive Director's written decision to uphold, reverse, or modify the applicable decision(s) shall be Invest DSM's final decision.

Appendix A: Developer Prequalification Information Requirements

To become a prequalified developer, an applicant must submit the following information for review and approval by Invest DSM. Invest DSM staff must determine that the applicant demonstrates relevant housing and redevelopment experience and financial resources based on said information.

NOTE: Developers that have unpaid property taxes, water/sewer charges or assessments, outstanding judgments held by the City of Des Moines or Polk County, and/or any unaddressed Federal, State or Local code violations on any property owned by the developer in the City of Des Moines are NOT eligible for funding from Invest DSM.

For-Profit Investors

- A. Organizational Structure
 - Description of the primary development team and any personnel, including individual expertise.
 - Tax ID number
 - Years in business
 - Ownership changes,
 - Have you operated this business under another name in the past three years
- B. Housing and/or redevelopment experience in the City of Des Moines or elsewhere in a similar market.
 - Provide examples of at least two projects of similar scope, include descriptions of team members and partners and levels of involvement, as well as project timelines.
 - Description of any financial packages used in comparable projects.
 - References, including contact information, for each example project.
 - The experience of the general contractor, if a general is to be hired.
- C. Demonstration of financial capability
 - Letter of good standing from a recognized financial institution/bank.
 - Balance sheet or Financial statement for the past three years
- D. Information on proprietary or joint holdings in all LLCs or business ventures in Des Moines or elsewhere in a similar market in Iowa.
- E. Evidence of Good Standing
 - Lack of claims history against developer and general contractor (if GC is hired)
 - No liens against the developer or general contractor (if GC is hired)
 - Bankruptcy History

Non-Profit Organizations

- A. Evidence of the organization's 501(c)(3) status.
- B. Organizational Structure
 - Composition of the organization's Board and details of current Board members.
 - Description of the primary development team and any personnel, including individual expertise.
 - Tax ID Number
- C. Housing and/or redevelopment experience in the City of Des Moines or elsewhere in a similar market.

- Provide examples of at least two projects of similar scope, include descriptions of team members and partners and levels of involvement, as well as project timelines.
 - Description of any financial packages used in comparable projects.
 - References, including contact information, for each example project.
 - The experience of the general contractor, if a general is to be hired.
- D. Demonstration of financial capability
- Letter of good standing from a recognized financial institution/bank.
 - Audited financial statements (last 2 years).
- F. Evidence of Good Standing
- Lack of claims history against developer
 - No liens against the developer
 - Bankruptcy History

Appendix B: Project Application Requirements and Review Criteria.

Application Requirements. Every application for project assistance by a pre-qualified Developer shall include submission of the following information, along with any other information that Invest DSM deems necessary to process and review the application. An application shall be considered received by Invest DSM only if it is deemed it to be complete. Funding assistance to selected projects will be based on alignment with Program goals, the capacity of the developer, and the overall feasibility of the project.

Please note: Projects in the 100-year floodplain will not be eligible for funding unless they are in a levee-protected area. Proper zoning must be in place before funding will be approved.

1. Property details
 - a. Location including address, legal description, zoning district, and current ownership
 - b. Evidence of ownership or option to purchase
 - c. Project type—New Construction or Rehabilitation
 - d. Current tax status
 - e. Description of the existing property condition
 - f. Pictures of the property

2. Rehabilitation Plan
 - a. Detailed rehabilitation and design plans
 - b. Materials lists / specifications
 - c. Construction budget
 - d. Rehabilitation schedule and timeline
 - e. Plan for marketing and sale of the property

3. New Construction Plans
 - a. Detailed site plan
 - b. Architectural plans
 - c. Elevations
 - d. Materials lists / specifications
 - e. Construction budget
 - f. Construction schedule timeline
 - g. Plan for marketing and sale of the property

4. Financing requirements
 - a. Sources and Uses statement, which includes:
 - i. All hard and soft project costs
 - ii. Contingency of at least 10%
 - iii. Estimated sale price based on as-complete appraisal or comparable sales analysis
 - iv. Funding assistance requested from Invest DSM
 - b. Evidence of available financing, such as commitment letter from lender stating amount, time period and terms, or recent financial statement
 - c. Developer equity of at least 20%

5. Organizational Information

- a. Evidence of prequalification or all information required in the pre-qualification section
- b. If General Contractor is being used, submit Company Name, evidence that they are licensed, insured, and in good standing.

6. Any other information deemed necessary by Invest DSM to review the application.