



## **Invest DSM Rental Rehab Program**

### **Mission, Purpose and Goals**

#### **Invest DSM Mission:**

Invest DSM provides holistic and innovative solutions that strengthen neighborhoods.

#### **Program Purpose:**

The purpose of this Rental Rehab Program (this "Program") is to provide financial incentives that encourage rental property owners 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 investments in rental properties with ten (10) or fewer units that improve the overall quality of the rental property and the desirability of the neighborhood.

#### **Program Goals:**

- To deliver a quality rental housing product that is competitive in the regional rental housing market.
- To fund projects that accomplish at least two of the following:
  - Inspire other rental property owners to invest in their rental properties,
  - Address rental properties with blighted or substandard conditions,
  - Are complementary to existing neighborhood character, but help to set a new standard of quality,
  - Appeal to one of the target markets identified in the Revitalization Plan for the Special Investment District where the rental 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 rental property's floor plan functionality,
  - Converts multiunit rental properties into fewer units or single-family rental properties,
  - Provide modern amenities uncommon in older urban neighborhoods,
  - Upgrade mechanical systems (i.e. plumbing, electrical, HVAC) with energy efficiency in mind,
  - Complete major building upgrades (exterior component intended to enhance the exterior appearance required),
  - Utilize building materials that have durability and longevity,
  - Include higher-end interior finishes, trim work, etc.
  - Improve unit livability and provide quality of life upgrades,
  - Retain and/or attract responsible rental property owners, and
  - Preserve market affordability.

### **Eligible Properties and Projects**

#### **Property Requirements:**

- Property must be an existing single-family rental or multifamily rental with ten (10) or fewer units,
- Rental property must be located within a Special Investment District,
- Rental property must have a valid rental certificate and no substantial outstanding code violations,
- Owner of rental property must be current on property taxes for all properties owned by that Owner,

- Project must meet at least two of the program goals, and
- Rental property and owner of rental property's history with tenants and rental property management must meet Invest DSM's standards, which standards may be determined by Invest DSM's in its sole discretion.

Types of eligible projects include but are not limited to:

- Converting multiunit rental properties into fewer units or single-family rental properties
- Rehabilitation of single-family rental properties or multifamily rental properties with ten (10) or fewer units
- Upgrade windows
- Roof replacement as part of a larger project
- Siding replacement/exterior paint
- Front porch rebuild
- Landscaping upgrades
- Kitchen and bath upgrades
- Upgrades to major mechanical systems with energy efficient systems
- Foundation repair/replacement
- Flatwork
- Removal and replacement of dead or dying trees, or trees causing structural issues to the home. Removed trees must be replaced.

Types of projects that are not eligible:

- Acquisition or new construction
- Standalone mechanical improvements (i.e. plumbing, electrical, furnace, AC units)
- Standalone roof project
- Replacing individual windows or doors
- Typical maintenance, health & safety items (i.e. flooring replacement, fire prevention systems, interior paint, pest remediation)
- Removal of healthy trees, shrubs, and vegetation
- Non-permanent improvements (i.e. security systems, pest remediation)

**Preferred Projects**

- Priority will be given to projects that improve rental properties in substandard condition
- Priority may be given to projects that convert multiunit rental properties into fewer units or single-family rental properties

**Invest DSM Funding Structure**

- Funding will be provided in the form of a forgivable grant, secured with a promissory note and mortgage on the property. The grant will be forgiven on a monthly, pro-rated basis according to the following schedule:
  - Grant amount < \$15,000; Forgiveness period 3 years
  - Grant amount \$15,001-\$45,000; Forgiveness period 5 years
  - Grant amount \$45,001-\$75,000; Forgiveness period 7 years
  - Any Grant amount greater than \$75,000 will be provided in two components, with the amount up to \$75,000 provided as a forgivable grant according to the terms above and any amount over \$75,000 in the form of a 0% interest loan. The loan portion must be

paid in equal annual installments over 7 years, with the first payment due one year after the project was completed. No interest or fees will be charged.

- If the owner sells the property or otherwise violates the terms of the funding agreement, then the owner will be responsible for repaying the grant amount.
- Invest DSM's grant funds may not exceed 30% of the total project cost without authorization from its Board of Directors.
- The owner and Invest DSM will agree upon a post-project rental rate and "affordability period" at the time Invest DSM funds are committed, based on an analysis of comparable rentals. The owner may only increase rent rates by a maximum of 2% annually during the forgiveness period.
  - The owner is required to submit an annual report of rent rolls and existing leases in order to receive that year's forgiveness.

### **Project Application Process**

Subject to the availability of funds, applications for the Invest DSM Rental Rehab Program will be accepted and reviewed on a rolling basis.

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 applicants understand the programmatic design and financing information.

Applicants should have the following information available for the consultation:

- Details on the existing condition of the subject property, its ownership and occupancy and the code violation status
- A preliminary Sources and Uses Statement that includes:
  - A preliminary scope of work and construction budget
  - An estimate of the post-project rental rates, per unit
  - An estimate of the funding request of Invest DSM
- Any immediate health and safety concerns
- For additions, floor plan changes or deconversions, schematic concept drawings, if available. Please note that final drawings for these types of projects must be done by a licensed architect.

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 applicant will need to submit a formal application. Applications will be reviewed first 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 Rental Rehab Program are available upon request from Invest DSM, by emailing [Applications@InvestDSM.org](mailto:Applications@InvestDSM.org) or calling 515-221-8410. Application and additional information are also available online at [www.InvestDSM.org](http://www.InvestDSM.org).

***Please see Appendix A 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 owner and Invest DSM at Invest DSM's sole discretion.

Invest DSM staff is authorized to approve a change order request up to 25% of the change order amount or \$15,000, whichever is less, without needing the approval of the Board of Directors. Change orders above that amount must be approved by Invest DSM's 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.

- Up to 30% of Invest DSM funds may be advanced at the start of the project.
- At least 15% 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: Project Application Requirements and Review Criteria.**

*Application Requirements.* Every application for project assistance 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 financial capacity of the applicant, 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. Applicant Information

- a. Applicant Name, Address, Phone, Email
- b. Business Name, Address, Phone, Email (if applicable)
- c. Description of rental property portfolio (number of units owned, type of buildings, property management practices)

### 2. Property details

- a. Location including address, legal description, zoning district, and current ownership
- b. Evidence of ownership or option to purchase
- c. Project type—Rehabilitation, Downsizing conversion, etc.
- d. Current tax status
- e. Description of the existing property condition
- f. Current rents charged, copies of existing leases (if applicable)
- g. Pictures of the property

### 3. Rehabilitation Plan

- a. Detailed rehabilitation and design plans
- b. Materials lists / specifications
- c. Architectural drawings (floor plans and elevations), if applicable
- d. Construction budget
- e. Rehabilitation schedule and timeline
- f. Plan for marketing and rent of the property
- g. Post-project rents proposed

### 4. Financing requirements

- a. Sources and Uses / Pro Forma statement, which includes:
  - i. All hard and soft project costs
  - ii. Contingency of at least 10%
  - iii. Estimated rent rates
  - 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. Applicant equity of at least 20%

5. Construction Contract Information
  - a. If General Contractor is being used, submit Company Name, evidence that they are licensed, insured, and in good standing, or
  - b. Copies of contractor bids for work proposed.
  
6. Any other information deemed necessary by Invest DSM to review the application.

## **APPENDIX C – Project Scoring Criteria (FOR INTERNAL USE ONLY)**

### Project Scope

1. Does the project correct blighted or sub-par exterior conditions? (Current property score)
  - 1 or 2 = 0 points (Nominally)
  - 3 = 3 points (Moderately)
  - 4 or 5 = 5 points (Substantially)
2. The project improves the marketability of the rental units:
  - Nominally = 0 points
  - Moderately = 3 points
  - Substantially = 5 points
3. The project improves the aesthetic appeal of the rental units:
  - Nominally = 0 points
  - Moderately = 3 points
  - Substantially = 5 points
4. The project improves the functionality of the rental units:
  - Nominally = 0 points
  - Moderately = 3 points
  - Substantially = 5 points
5. The project materials and design exceed minimum adopted standards:
  - Nominally = 0 points
  - Moderately = 3 points
  - Substantially = 5 points
6. The project improves the energy efficiency of the rental units:
  - Y = 2 points
  - N = 0 points

### Applicant

1. Is the title holder
2. Is current on all taxes on other property holdings
3. Does not have a history of unaddressed code violations, assessments, or legal claims
4. Has a history of comparable projects or demonstrated capacity to complete project
5. Has provided documentation of financial capability to cover their portion of the project
  - i.e. Bank letter or financial statement

### (BONUS) Project location

1. Is the property located on or near a corner?
  - Y = 2 points
  - N = 0 points
2. How important is the corner or street to improving neighborhood confidence?
  - 1-5 points
  - 3 points
  - 0 points

### (BONUS) Project Relation to Block

1. Applicant is the only project on the block
  - N = 3 points
  - Y = 0 points
2. Block score
  - > 3.5 = 2 points, unless multiple projects
  - 2.5- 3.5 = 5 points
  - < 2.0 = 0 points