

MARSHALLTOWN

— I O W A —

Joel Greer, Mayor
Jessica Kinser, Administrator
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TO: Mayor Greer and City Council
FROM: Jessica Kinser, City Administrator
DATE: October 19, 2022
RE: CDBG- Derecho Housing Project

Policy Issue: Council must authorize the grant application(s)

<input checked="" type="checkbox"/> Goal 1: Expand and improve development	<input type="checkbox"/> Goal 3: Continually improve the City's organization & services
<input type="checkbox"/> Goal 2: Enhance Marshalltown's public image	<input type="checkbox"/> Goal 4: Partner with others to improve quality of life

Specific Objective/Action: Objective 3: Increase housing opportunities at all income levels

Recommendation: Direct staff to move forward with preparing an application

Budget Impact: See Cost Estimate

Description/Background: Marshall, Tama, and Benton Counties are eligible for disaster recovery funds from the derecho, which flow through the Iowa Economic Development Authority (IEDA)'s Community Development Block Grant program. Linn County is receiving 80% of the funding, leaving 20% for the three counties above. The first project grants released under this funding are for the creation of rental and for sale units. Under the For Sale Program, \$4,000,000 is available to fund the construction of new homes at a \$100,000 grant per unit. There is another \$25,000 available to support specific hazard mitigation activities as well. And this program is coming with up to \$15,000 in downpayment and closing cost assistance direct to the buyer.

The units receiving grant assistance will be required to be sold to low-to-moderate income individuals. In the for sale program, the initial buyer has to qualify, and there is a 15-year period of affordability in place on the property through a forgivable lien. If the first buyer sells the house in that 15-year period to someone who does not meet the income requirements, the prorated lien for the grant funds must be paid back to the State of Iowa as part of the sale.

After a significant amount of research into these funds and the State's requirements, I am proposing the City put together at least one application with for sale units. Inquiries were made with multiple builders to determine that a stick-built new construction home would likely exceed the grant funds and the maximum sales price, given the inflation around building costs. We have investigated modular homes as a possibility, and we believe that we have a viable option. A modular home is not a manufactured home, and is one that could be purchased through a number of producers in Iowa. The City owns lots which would be ideal for this type of housing in terms of the location and ability to bring in a pre-built home. A project would consist of 7 homes (8 or more units would require compliance with Davis-

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Bacon). All homes have to meet the State of Iowa Green Street requirements, which require are a variety of construction and site standards that ensure quality, energy efficient housing. Of the 7 homes, one will have to meet the Universal Design requirements of the Green Street criteria which includes ADA compliance for mobility and communication.

At this time, I would proposed the following lots for this project:

1. 506 East Boone Street
2. 506 North 2nd Street
3. 101 East Ferner Street
4. 702 Swayze Street
5. 510 East Main Street
6. 817 North 5th Avenue
7. 411 West Main Street (will need to request assignment of a tax certificate from the Treasurer)

The attached estimate outlines the hard costs and the soft costs. The revenue needed for this project to work would be the CDBG-DR grant funds and the sale proceeds. Maintaining a lower sales price is going to be vital to ensuring that income qualifying individuals can qualify for a mortgage for the home.

If awarded, we would be eligible for up to \$5,000 per unit to support administration costs for specific activities outlined by IEDA. However, there would be additional staff time that would be necessary outside of the administration if the City has a project whereby we the City are the developer. The cost estimate include 1.5% of the project costs as a developer fee, which would provide a funding source for staff time for activities like hiring a construction manager, procuring a home, procuring a general contractor for other work, and more. Estimating hours for activities and using the wage and benefit rates for myself, Michelle Spohnheimer, Esmeralda Armas, and Hector Hernandez, the 1.5% developer fee should satisfy the City staff time into the front end of the project.

Perhaps the biggest feature of the cost estimate is the sales price of \$115,000 on average. The program allows for a home to be sold for as much as \$175,000. However, when we looked into the ability to qualify for a mortgage using the required income levels, the result was that a person/family could essentially have no other debt (student loans, vehicle loan, etc) to qualify at that level. The lower sales price is designed to cover the costs of the project but not to profit. The City should also apply for funding for this project with the Region 6 Housing Trust Fund as well, which could help with additional property improvements (deck, fencing, etc), or reduce the price of the property.

At this time, I would like to get approval from the City Council to proceed with developing an application for this project and requesting the tax certificate for 411 West Linn Street. The City Council will be required to authorize all applications for these funds by resolution before any application can be submitted. The application is extensive, and I want to ensure the Council supports the City acting as a developer in an application prior to dedicating time to this effort.

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City of Marshalltown
CDBG-DR Project
Cost Estimate

Phase 1	Unit Cost		Modular Home	ADA Mod Home	TOTAL
HARD COSTS			<u>6</u>	<u>1</u>	
Land	\$ -			\$ -	
Modular Home	\$ 95,000		\$ 570,000	\$ 95,000	\$ 665,000
General Contractor	\$ 10,000		\$ 60,000	\$ 10,000	\$ 70,000
Basement	\$ 30,000		\$ 180,000	\$ 30,000	\$ 210,000
Water/Sewer	\$ 10,000		\$ 60,000	\$ 10,000	\$ 70,000
Gas	\$ -		\$ -	\$ -	\$ -
Underground Electric	\$ 1,000		\$ 6,000	\$ 1,000	\$ 7,000
Broadband	\$ -		\$ -	\$ -	\$ -
Driveway	\$ 7,000		\$ 42,000	\$ 7,000	\$ 49,000
Sidewalk	\$ 2,000		\$ 12,000	\$ 2,000	\$ 14,000
ADA Enhancements	\$ 5,000		\$ -	\$ 5,000	\$ 5,000
Flooring	\$5/sq ft(1300)		\$ 39,000	\$ 6,500	\$ 45,500
Appliances	\$ 4,000		\$ 24,000	\$ 4,000	\$ 28,000
Stormwater Mitigation	\$ 2,000		\$ 12,000	\$ 2,000	\$ 14,000
Solar Panels or Generator	\$ 10,000		\$ 60,000	\$ 10,000	\$ 70,000
Safe Room in Basement	\$ 5,000		\$ 30,000	\$ 5,000	\$ 35,000
Fortified Roof	\$ 3,000		\$ 18,000	\$ 3,000	\$ 21,000
Hard Cost Contingency	10%		\$ 93,000	\$ 16,000	\$ 109,000
TOTAL HARD COSTS			\$ 1,206,000	\$ 206,500	\$ 1,412,500
SOFT COSTS					
Environmental	\$ 3,000		\$ 18,000	\$ 3,000	\$ 21,000
Building Permit	\$ 3,000		\$ 18,000	\$ 3,000	\$ 21,000
Platting	\$ -		\$ -	\$ -	\$ -
Architect & Engineering	\$ 3,500		\$ 21,000	\$ 3,500	\$ 24,500
Developer Fee	1.5%		\$ 18,090	\$ 3,098	\$ 21,188
Marketing	\$ 250		\$ 1,500	\$ 250	\$ 1,750
Utilities	\$ 550		\$ 3,300	\$ 550	\$ 3,850
Construction Manager	\$ 10,000		\$ 60,000	\$ 10,000	\$ 70,000
Realtor Commission	7%		\$ 48,300	\$ 8,050	\$ 56,350
Soft Cost Contingency	5%		\$ 13,173	\$ 1,572	\$ 14,746
TOTAL SOFT COSTS			\$ 201,363	\$ 33,020	\$ 234,383
TOTAL NEW HOUSING COSTS			\$ 1,407,363	\$ 239,520	\$ 1,646,883
FUNDING SOURCES					
CDBG Grant Funds	\$ 100,000		\$ 700,000		\$ 700,000
CDBG Mitigation	\$ 20,000		\$ 140,000		\$ 140,000
Gross Sale Revenue	\$ 115,000		\$ 805,000		\$ 805,000
TOTAL FUNDING SOURCES			\$ 1,645,000		\$ 1,645,000

Profit (Loss) \$ (1,883)

**CDBG-DR Derecho For Sale Housing Program
Administration Cost Estimates**

	Grant Eligible	Admin Eligible	Est. Hours	Jessica	Michelle	Esmeralda	Hector	Total
				\$ 107.61	\$ 77.27	\$ 37.77	\$ 34.71	
Obtain Construction Manager	No	No	32	8	12	4	8	
<i>Prepare RFP, issue RFP, award, contract</i>				\$ 860.88	\$ 927.24	\$ 151.08	\$ 277.68	\$ 2,216.88
Obtain Architect/Engineer	No	No	9	3	3	0	3	
<i>Contract (no bid process)</i>				\$ 322.83	\$ 231.81	\$ -	\$ 104.13	\$ 554.64
Procurement of the Home	No	No	30	5	10	3	12	
<i>Prepare RFP, issue RFP, award, contract</i>				\$ 538.05	\$ 772.70	\$ 113.31	\$ 416.52	\$ 1,840.58
Obtain General Contractor	Yes	No	26	10	12	4		
<i>Prepare RFP, issue RFP, award, contract</i>				\$1,076.10	\$ 927.24	\$ 151.08	\$ -	\$ 2,154.42
Procure Flooring & Installation	No	No	10	1	1	2	6	
<i>Prepare scope, obtain quotes, award, contract</i>				\$ 107.61	\$ 77.27	\$ 75.54	\$ 208.26	\$ 468.68
Procure Appliances & Installation	No	No	10	1	1	2	6	
<i>Prepare scope, obtain quotes, award, contract</i>				\$ 107.61	\$ 77.27	\$ 75.54	\$ 208.26	\$ 468.68
Project Meetings & Site Visits	No	No	210	30	80	20	80	
				\$3,228.30	\$6,181.60	\$ 755.40	\$2,776.80	\$ 12,942.10
							TOTAL	\$ 20,645.98
Environmental Review Record Documentation, including required publication costs	Yes	Yes						
Lien development and filing	Yes	Yes						
Mortgage recording	Yes	Yes						
Income verification	Yes	Yes						
Federal Labor Standards Compliance	Yes	Yes						
Section 3 Compliance	Yes	Yes						
Davis Bacon Compliance (required for infrastructure)	Yes	Yes						
Financing/interest incurred for project implementation	Yes	Yes						