



Date December 12, 2022

APPROVAL OF THE RENTAL ENHANCEMENT PROGRAM POLICY AND PROCEDURES TO ADDRESS SEPARATION OF SHARED FORCED AIR HEATING SOURCES AND KNOCKOUT PANELS

WHEREAS, on June 13, 2022, by Roll Call No. 22-0957 and Roll Call No. 22-0958, the City Council approved the addition of Sections 60-185 and 60-186 to the Municipal Code of the City of Des Moines, Iowa; and

WHEREAS, Section 60-185 requires the separation of shared forced air heating sources so each dwelling unit has a separate heating source and the elimination of shared vents and ductwork; and

WHEREAS, Section 60-170 requires elimination of all knockout panels; and

WHEREAS, separation of shared forced air heating and elimination of knockout panels from rental units shall be completed by property owners by the second license renewal inspection after June 1, 2021 and no later than June 1, 2025; and

WHEREAS, the City of Des Moines has set aside funding in fiscal years 2023 and 2024 to assist rental property owners affected by the code additions; and

WHEREAS, the funding to address separation of shared forced air heating and elimination of knockout panels is the Rental Enhancement Program.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Des Moines, Iowa, that the Rental Enhancement Program Policy and Procedures, as attached hereto, are hereby approved, and the Neighborhood Services staff are directed and authorized to administer said Program in accordance with said Policy and Procedures.

(Council Communication No. 22-560



Roll Call Number

Agenda Item Number

38

Date December 12, 2022

Moved by _____ to adopt,

Second by _____

FORM APPROVED:

/s/ Gary D. Goudelock Jr.

Gary D. Goudelock Jr.

Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BOESEN				
GATTO				
MANDELBAUM				
SHEUMAKER				
VOSS				
WESTERGAARD				
TOTAL				
MOTION CARRIED			APPROVED	
_____ Mayor				

CERTIFICATE

I, LAURA BAUMGARTNER, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

_____ City Clerk

Rental Housing Enhancement Program Guidelines

ND414000, LT206

1. Program Purpose

The purpose of this Rental Housing Enhancement Program is to provide financial assistance to residential rental property owners or landlords to fix property conditions that no longer meet Rental Inspection Code requirements. Local Option Sales and Services Tax (LOSST) revenue will be used for these rental housing enhancements to make sure the City of Des Moines rental housing stock is brought up-to-code for improving the health and safety of tenants while reducing financial burden to landlords.

2. Program Scope

The enhancements covered in this program are replacement of knockout panels pursuant to Des Moines Municipal Code ordinance 60-170 and separate shared forced air heating sources pursuant to code ordinance 60-185.

3. Eligibility Requirements

Property and Project Eligibility Requirements:

- Property must have a valid rental certificate.
- Property cannot be on the public nuisance list or be the subject of an active court case with the City.
- Owner of rental property must be current on property taxes, including special assessments, for the property and all other properties owned by the landlord in the City of Des Moines.
- Each application will be limited to one project for one site (parcel). Multiple buildings located on one site must be under common ownership, management, and financing and shall be assisted with LOSST funds as a single undertaking.
- The property owner is allowed to submit three applications for three projects at a time and shall not have more than three projects active at the same time. Property owner is defined in Chapter 60 of the City code as the holder of legal title or contract purchaser of record of the real estate parcel.
- Work must be completed within one (1) year of approval. Prior work may be eligible for reimbursement and must have been completed no less than six months before the application date to be eligible for the program. Applications must be received by June 1, 2024.
- Eligible costs include hard construction costs, third-party, labor charges for arms-length transactions by independent (unrelated) parties, architectural and engineering costs, or other relevant professional consultation. Any costs not expressly mentioned as eligible in this text will need prior approval and authorization, in writing, from program staff as an eligible cost for reimbursement.
- Ineligible costs of this program include, but are not limited to air conditioning units, relocations costs, revenue loss, or administrative fees.
- Rental unit must be vacant and without an active rental lease at the time of application submittal. The unit must remain vacant until the project is complete, signified by certificate of occupancy issuance or final payment under the program. A property owner will be required to repay assistance if they issue an illegal vacate notice to a tenant in order to make the relevant repairs.
- Permits must be pulled for all work as required, and permits must be made final before payment will be made.

4. Funding

The Rental Property Enhancement Program will reimburse and provide a forgivable loan to rental property owners who have paid for eligible costs to replace knockout panels and/or to separate shared forced air heating systems. Projects

will be funded through LOSST funds and will be reviewed and funded on a first come, first served basis upon receipt of a completed application. See more below Section 8. Project Application.

With this program, the City will make a forgivable loan for 75% of the cost actually paid by the property owner, up to a maximum of \$15,000 per unit with a \$50,000 per project maximum (\$1,000 minimum project expenditure required), to the owners who meet the requirements of the program. An appeal for increasing the maximum award may be made in writing to the Neighborhood Services Director, and support for an increased award will be based on valid bids.

Funding will be provided in the form of a forgivable loan, secured with a promissory note, mortgage, and restrictive covenant on the property. The loan will be forgiven on a yearly, pro-rated basis according to the following schedule:

- Loan amount \$10,000 or less; Compliance period 5 years
- Loan amount \$10,001-\$25,000; Compliance period 7 years
- Loan amount \$25,001-\$50,000; Compliance period 10 years
- Any loan amount greater than \$50,000 will need to go through the appeal and grievance process.

A property for which the maximum loan amount has been reimbursed by the City is not eligible for additional forgivable loans under this program, regardless of a change in ownership or use, until the end of the compliance period.

All additional costs of the project above the stated program fund limitations shall come from other financial resources. All other necessary financial resources shall be the responsibility of the property owner.

Draw Request Process

City of Des Moines funds may be disbursed in a single payment as agreed to in the funding agreement. To receive a draw, a draw request form provide by City staff must be completed. City of Des Moines 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 thirty (30) business days of approval.

5. Compliance

Rent Limitations

Rent limits on rental properties for which LOSST funds were used for rehabilitation cannot be raised without the approval of the City of Des Moines. The City will review rents reported by the owner in their rent roll to ensure they do not exceed Fair Market Rents.

Property Transfer/Sale

If the owner of the rental project site sells or transfers the project property or otherwise violates the terms of the funding agreement during the compliance period, the entire amount of the forgivable loan shall be repaid. However, upon mutual agreement and consent between the City of Des Moines and the originally assisted rental property owner, the assisted rental project may be sold or transferred, but only if the new purchaser agrees to continue with the terms of the developer agreement, mortgage, promissory note, and restrictive covenants throughout the remainder of the compliance period. The initial titleholder is obligated to communicate the Rental Housing Enhancement Program obligations to any potential buyers.

6. Developer Agreement, Mortgage, Promissory Note, and Restrictive Covenants

A Development Agreement will be executed between the City of Des Moines and the property owner or landlord. This contract will be subject to a "Compliance Period," which is the term, in years, in which the property owner must own the property. The Compliance Period is calculated from the fund reimbursement date after completion of the work for a period of years determined by the amount of funding for the project, as outlined in Section 5. Funding and Compliance Period.

Funding agreements for projects will have a term of 1 year. Projects must be completed within the 1-year contract term. Prior to the authorization of the first payment, each property receiving LOSST funds will be required to enter into a developer agreement, mortgage, promissory note, and restrictive covenants in the form of a recorded lien to ensure project compliance from the onset. Each individual site will have a recorded lien and forgivable loan for the actual costs of the enhancements allocated by LOSST funds for that site.

The LOSST funds forgivable loan may be recorded in junior position to a principal conventional loan (if there is one) but must be recorded in senior position to all other funding in the project that is less than the portion being funded by the City. Additionally, recipients must maintain their assistance security agreements in the above-stated recording position throughout the compliance period.

7. Project Application Process

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.

Proof of ownership should be provided in the application. The developer can show ownership of the project property with documentation from the County Recorder's office.

Applications must be received by the City of Des Moines Neighborhood Services Department by June 1, 2024, unless funds have been exhausted before this date. After work is completed and by no later than June 1, 2025, additional documentation will be required including itemized invoice, proof of payment, plumbing permit number, and W-9 federal tax form.

Applications must be thorough and complete. All items identified in the application checklist must be provided as applicable, and all signatures included. Incomplete applications will not be reviewed.

Subject to availability of funds, applications for the Rental Housing Enhancement Program will be accepted and reviewed from January 1, 2023 to June 1, 2024.

The application form for the City of Des Moines Rental Housing Enhancement Program are available upon request from the City of Des Moines, by emailing jlgjersvik@dmgov.org or calling 515-283-4778. Application and additional information are also available online at dsm.city.

8. Project Application Requirements and Review Criteria.

Every application for project assistance shall include submission of the following information, along with any other information that City of Des Moines deems necessary to process and review the application. An application shall be considered received by City of Des Moines only if it is deemed it to be complete.

After work is completed, additional documentation will be required including itemized invoice, proof of payment, and W-9 federal tax form. City will process the rebate payment after receiving all necessary documentation. Access to your property may be required for City staff to review this application and inspect the completed project.

Application Information:

1. Applicant Information

- a. Applicant Name, Address, Phone, Email
- b. Business Name, Address, Phone, Email (if applicable)
- c. Description of rental property (Geoparcels number(s), number of units, type of building)

2. Property details

- a. Location including address, legal description, and current ownership
- b. Evidence of ownership
- c. Current tax status

3. Rehabilitation Plan

- a. Detailed plans for separating shared forced air heating or replacing knock out panels.
- b. Construction budget.
- c. Rehabilitation schedule and timeline
- d. Amount of funding requested

4. 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.

9. Appeal and Grievance Process

The City will provide an appeal and grievance process to address developer issues with scope of work and the need for additional funding beyond the maximum amount allowed in the program. The Neighborhood Services Director will be the final decision maker in any appeals or grievances filed.

10. Code Sections References

Sec. 60-185. - Separation of shared forced air heating sources.

Shared forced air heating sources are unsafe and shall be eliminated so each dwelling unit has a separate heating source with the elimination of shared vents and ductwork by the second renewal inspection after June 1, 2022, and by no later than June 1, 2025.

Sec. 60-170. - Knockout panels.

All knockout panels in approved exit openings shall be a minimum of ten inches by ten inches in size, shall have only single strength glass, and shall be labeled directly on the panel "emergency exit - break glass," in contrasting colors at least one inch in height, and one-quarter inch stroke. Knockout panels shall be located not more than 42 inches from the floor to the top of the knockout panel and shall permit the lock or latch on the inside of the exit door to be operated quickly and easily. No more than one lock or latch shall be permitted on any approved exit door. No more than one intervening door containing a knockout panel shall be permitted in the exit way from any unit. No new installations or repair of existing knockout panels shall be permitted. All knockout panels are deemed to be a hazardous means of egress and shall be eliminated by the second license renewal inspection after June 1, 2021 and no later than June 1, 2025.