



Date October 23, 2023

APPROVAL OF UPDATES TO THE RENTAL HOUSING 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 (Council Communication No. 22-264), 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 shared vents and ductwork are eliminated; 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, 2024; and

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

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

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Des Moines, Iowa, that

1. The Rental Housing Enhancement Program Policy, as attached hereto, is hereby approved, and the Neighborhood Services staff are directed and authorized to administer said Program in accordance with said Policy and Procedures.
2. The Neighborhood Services Director or their designee is authorized to finalize, implement, administer, and periodically review and update the Neighborhood Services Department Rental Housing Enhancement Policy and Program.

(Council Communication No. 23-468)



Roll Call Number

Agenda Item Number

42

Date October 23, 2023

Moved by _____ to adopt.

Second by _____

FORM APPROVED:

/s/ Gary D. Goudelock Jr.
Gary Goudelock, Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BOESEN				
GATTO				
MANDELBAUM				
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 housing owners 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 property 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 rental housing owners.

2. Program Scope

The enhancements covered in this program are replacement of knockout panels pursuant to Des Moines Municipal Code section 60-170 and separate shared forced air heating sources pursuant to code section 60-185. The definition of a knockout panel is a previously-approved, temporary, removable device in an approved exit opening that allows for an emergency secondary means of egress. A knockout panel must be removable without any special knowledge or tools. A knockout panel is typically a piece of plexiglass or thin plywood that is able to be destroyed or removed by hand to allow access to unlock a door into another unit and allow for occupants of one unit to use the secured tenant space in another unit as means of egress.

3. Eligibility Requirements

Property and Project Eligibility Requirements:

- Applications must be received by June 1, 2024.
- Property must have a valid rental certificate issued by the City of Des Moines.
- Property cannot be on the public nuisance list or be the subject of an active court case with the City.
- Owner of rental housing 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.
- 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.
- 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; tenant or occupant relocation costs; revenue loss; or administrative fees.
- Tenants or occupants must not be displaced as a result of this program. Property owners must provide a construction plan detailing the scope of repairs needed to fulfill code compliance. If repairs are expected to necessitate temporary unit vacancy, owners must submit a tenant relocation plan. A property owner will be required to repay assistance if they issue an illegal vacate notice to a tenant to make the relevant repairs.
- Permits must be pulled for all work as required, and permits must be made final before reimbursement from the City is issued.
- Rent must not exceed the Fair Market Rent set by the United States Housing and Urban Development in 24 C.F.R. § 92.252(a) as of the effective date of the agreement.

4. Funding

The Rental Housing Enhancement Program will reimburse and provide a forgivable loan to rental housing 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 in Section 8- Project Application Requirements and Review Criteria.

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 \$5,000 per unit with a maximum of \$30,000 per standalone building on one site (parcel)(\$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 as outlined in Section 9- Appeal and Grievance Process, 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 (Exhibit "A"), mortgage (Exhibit "B"), and restrictive covenant (Exhibit "C") 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-\$20,000: Compliance period 7 years
- Loan amount \$20,001-\$30,000: Compliance period 10 years
- Any loan amount greater than \$30,000 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 provided by City staff must be completed. City staff will review the request, inspect the 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 final City inspection approval.

5. Compliance

Rent Limitations

For properties assisted with LOSST funds under this program, the property owner or landlord will report annually during the Compliance Period the rent roll information to the City who will then review them to ensure they do not exceed Fair Market Rents. Initial rents and rents during the Compliance Period for units in which LOSST funds are used for this program shall not exceed Fair Market Rents set by the United States Department of Housing and Urban Development as of the effective date of the agreement. Rent limits on rental properties for which LOSST funds under this program cannot be raised without the approval of the City of Des Moines during the Compliance Period.

Fair Market Rent set by the United States Housing and Urban Development established pursuant to [CFR Part 92.252\(a\)](#)

	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
MARKET RENT	\$791	\$ 889	\$1,074	\$1,473	\$1,499	\$1,724	\$1,949

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 housing 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 Property Enhancement Program obligations to any potential buyers.

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

Prior to the allocation of funding and authorization of any reimbursement, each property receiving LOSST funds will be required to enter into a developer agreement, mortgage, promissory note, and restrictive covenant in the form of a recorded lien to ensure project compliance from the onset. This agreement will be subject to a "Compliance Period," which is the term, in years, in which the property owner must own the property and maintain affordable rent limits. 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 4-Funding.

The property owner must ensure that all project work associated with this program is completed on or before January 31, 2025. However, the Affordable Housing Programs Manager at the City will negotiate an agreement expiration date and deadline date with the property owner for completion of work after January 31, 2025, only upon the condition that the City and the property owner agree the project work cannot be completed on or before January 31, 2025 due to the complexity of the project and the estimated project timeline for the work to be completed. The deadline for work completion and expiration of the funding agreement will be consistent with any current compliance agreement between the City and the property owner as applicable. Work completed prior to application may be eligible for reimbursement and must have been completed no longer than one (1) year before the application date approval to be eligible for the program.

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 funding 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. Applicants may apply before they have a Construction Budget, Construction Schedule and Timeline, and Scope of Work. However, applications will not be reviewed for approval until all required documentation and information has been received by the City through the online application. 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, such as a recorded warranty deed.

Applications must be received by the City of Des Moines Neighborhood Services Department before June 1, 2024, or before funds are fully exhausted, whichever occurs first. The City will require that all permits are issued and the construction budget, construction schedule and timeline, and the scope of work are submitted with the application before June 1, 2024. After work is completed in accordance with the deadline established in the funding agreement between the City and the property owner, additional documentation will be required including itemized invoice, proof of payment, plumbing permit number (if applicable), 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 Property Enhancement Program will be accepted and reviewed through June 1, 2024.

The application form for the City of Des Moines Rental Property Enhancement Program will be available on the City of Des Moines website at www.dsm.city on or before October 1, 2023.

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 to be complete.

After the work is completed, additional documentation will be required including itemized invoice, proof of payment, and W-9 federal tax form. City staff 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.

9. Appeal and Grievance Process

The City will provide an appeal and grievance opportunity to address developer issues with scope of work and the need for additional funding beyond the maximum amount allowed in the program. The property owner shall submit their appeal or grievance in writing to the City of Des Moines Neighborhood Services Director who will make the final decision 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.