

Red Tape Review Rule Report (Due: September 1, 20 24)

Department Name:	IFA	Date:	6/18/24	Total Rule Count:	7
IAC #:	265	Chapter/ SubChapter/ Rule(s):	Chapter 3	Iowa Code Section Authorizing Rule:	16.5(1), 16.5C(1)
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

The intended benefit of chapter 3 is to describe the policies and procedures applicable to the multifamily loan program. The purpose of the program is to preserve the existing supply of affordable rental units at risk of being lost and to foster the production of new affordable rental units in the state.

Is the benefit being achieved? Please provide evidence.

Yes. IFA is able to efficiently administer the program.

What are the costs incurred by the public to comply with the rule?

Entities interested in applying for the program may require staff time to complete an application. Recipients may similarly incur costs to comply with reporting and monitoring requirements of the program. Some applicants may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary, depending on the compensation of staff or service providers involved.

What are the costs to the agency or any other agency to implement/enforce the rule?

IFA staff time is required to review and approve applications, administer loans, and communicate with program applicants and recipients.

Do the costs justify the benefits achieved? Please explain.

Yes. Only entities that will potentially benefit from the program incur any costs. The costs to the state to administer the program are proportional to the activities supported by the loans.

Are there less restrictive alternatives to accomplish the benefit? YES NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

The application and administrative requirements of the rules are no more than necessary to thoroughly evaluate applications and administer loans.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

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Yes.

Rule 265.3.2 is unnecessary and should be rescinded.

Rule 265.3.3 is unnecessary and should be rescinded.

Rule 265.3.4 should be updated to be more concise.

Rule 265.3.5 should be updated to be more concise and reflect current program policies.

Rule 265.3.8 should be updated to be more concise and reflect current program policies.

Rule 265.3.10 should be updated to incorporate portions of other rules.

RULES PROPOSED FOR REPEAL (list rule number[s]):

265.3.2
265.3.3
265.3.6 (previously rescinded)
265.3.7 (previously rescinded)
265.3.9 (previously rescinded)
265.3.11 through 265.3.38 (previously rescinded)

RULES PROPOSED FOR RE-PROMULGATION (list rule number[s] or include rule text if available):

CHAPTER 3
MULTIFAMILY HOUSING

265—3.1(16) Purpose. Through its multifamily loan program (program), the authority seeks to preserve the existing supply of affordable rental units at risk of being lost and to foster the production of new affordable rental units in the state.

265—3.2(16) Application procedure. Applications will be reviewed by the authority upon receipt.

265—3.3(16) Eligibility.

3.3(1) Eligible Applicants. As determined by the authority, to be eligible for a loan under this section, applicants shall:

- a. Demonstrate a market need for the units.
- b. Agree to observe certain compliance measures, including a recorded agreement to ensure long-term affordability.
- c. Obtain a local contributing effort in an amount of up to 1 percent of the proposed loan when requested by the authority.
- d. Agree to a change of management, general partner, or managing member when requested by the authority.
- e. Agree to Multifamily Accelerated Processing (MAP) of HUD, when requested by the authority.
- f. Agree to participate in the HUD Risk-Sharing Program, when requested by the authority.
- g. Execute such documents and instruments as may be required by the authority
- h. Provide such information, certificates and other items requested by the authority.
- i. Obtain a title guaranty certificate from the authority's title guaranty division protecting the authority's interest in the real property securing the loan, including any endorsements required by the authority, unless specifically waived by the authority.

3.3(2) Eligible Projects. As determined by the authority, to be eligible for a loan under this section projects shall:

- a. Be financially feasible for at least the term of the assistance.
- b. Have adequately funded, as determined by the authority, replacement and operating reserve funds.
- c. Consist of at least five housing units
- d. For the term of the loan, reserve at least 75 percent of the housing units for tenants whose income is at or below 80 percent of the area median income and whose rent is no more than thirty percent of the income of a family whose annual income is 80 percent or less of the area median income.

3.3(3) Loan Terms.

- a. Loans under this section may have a maximum loan term of 24 months for construction financing and 40 years for permanent financing.
- b. Other terms and conditions of loans under this rule may vary from project to project.

3.3(4) Maximum loan fees are as follows:

- a. Commitment fee (construction period) - 1.0 percent of total development costs.
- b. Commitment fee (permanent loan) - 2.0 percent of loan amount.
- c. Inspection fee (construction period) - \$500 per inspection; inspections will typically occur with each draw or on a monthly basis during construction.
- d. Application fee - 0.3 percent of proposed loan amount.
- e. Asset management fee - calculated as \$25 per unit × number of total project units; submitted annually on or before January 31.
- f. The authority may, in limited cases, reduce such fees if necessary in connection with assistance provided under this program.

265—3.4(16) Multifamily loan program for workforce housing loan assistance.

3.4(1) Eligible Applicants. To be eligible for a loan under this section (the "primary loan"), applicants shall:

- a. Be an Iowa city or county (the "borrower").
- b. Agree to use the primary loan proceeds to make a loan to a third party to build housing in the applicants jurisdiction that meet the requirements of this rule and rule 265-3.3(1), (3), and (4) (the "secondary loan").

3.4(2) Eligible Projects. As determined by the authority, to be eligible for a loan under this section, projects shall:

- a. Be financially feasible for at least the term of the assistance.
- b. Have adequately funded replacement and operating reserve funds.
- c. Consist of at least five housing units
- d. For the term of the loan, reserve at least 50 percent of the housing units rehabilitated or created with the proceeds of the secondary loan to families whose annual income at the time of leasing is at or below 120 percent of the area median income and whose rent is no more than thirty percent of the income of a family whose annual income 120 percent or less of the area

median income, unless the authority agrees otherwise.

e. Preference under this section shall be given to cities and counties that can document an increased need for housing as the result of new job creation within their jurisdiction.

3.4(3) Loan Terms.

a. The primary loan is a general obligation of the borrower, but may be unsecured.

b. The borrower shall use funds received in repayment of the secondary loan first to make the scheduled principal and interest payments on the primary loan. Any secondary loan payments remaining after all then-due scheduled payments on the primary loan have been repaid may be reloaned by the borrower on the same basis as if such secondary loan payment amounts were proceeds of the primary loan.

265—3.5(16) Authority analysis of applications. Authority staff will analyze and underwrite each potential project, and will make recommendations for funding assistance to the board of directors of the authority. Meeting the eligibility criteria in these rules is not a guaranty of receiving funds. Authority staff will use such procedures and processes in its underwriting and analysis as it deems necessary and appropriate in connection with furthering the purposes of this program. In addition, the authority anticipates that because of the complex nature of each transaction, and the particular sets of circumstances attributable to each particular application/transaction, that the terms and conditions of loans will vary from project to project. The authority will make available its general operating procedures and guidelines for this program, as such may be revised from time to time.

****For rules being re-promulgated with changes, you may attach a document with suggested changes.***

METRICS

Total number of rules repealed:	2
Proposed word count reduction after repeal and/or re-promulgation	545
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	20

ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?

No.