



Upper Story Housing Conversion Application Workshop

Brenda Paulk | Program Project Manager
Iowa Economic Development Authority

CDBG Upper Story Housing Conversion Program

Agenda

Overview

Budget

Eligibility Requirements for:

- Applicant
- Grant Administrator
- Property
- Owner/Developer

Program Requirements

Environmental Compliance:

- Floodplain
- Above-Ground Storage Tanks
- Noise
- Asbestos
- Lead
- Radon

Additional Conditions

Required Uploads

Application Evaluation Factors

CDBG Upper Story Housing Conversion Program

Back to Basics

The Upper Story Housing Conversion Program supports the revitalization of downtown districts by transforming upper floor spaces that have been vacant or unoccupied into viable code-compliant residential rental units. The program is designed to support mixed use development, stimulate growth and address local housing needs. It also plays an important role in preserving historic buildings and improving the walkability and vibrancy of downtown or main street districts.

The Upper Story Program must meet HUD's National Objective of benefiting low to moderate income persons under 24 CFR 570.208(a)(3). Projects must demonstrate newly created housing will primarily serve LMI Households and contribute to long-term sustainability of communities and central business districts.

CDBG Upper Story Housing Conversion Program

Budget

The Upper Story Housing Conversion Program has a budget of approximately \$2,000,000 dollars.

- Recipients can receive up to \$100,000 per unit.
 - A Maximum of four (4) units.
 - Total of \$400,000 CDBG funds per project.
- Administration is capped at 10% of the CDBG funds (included in the unit budget of \$100,000).
 - (CDBG Activity Fund of \$100,000 – 10% Administration Costs = \$90,000 for project activity).
 - **Required 10% minimum Match** and must show evidence at application. Match is not Scored.
- All additional costs of the project above the stated CDBG fund limitation shall come from other financial resources. These funds must be committed and secured prior to the commitment of CDBG funds for this project.
- Only one (1) project per community may be awarded to ensure funding is distributed across the state.
- If a community already has a current Upper Story project, a Final Claim and Unit Verification Forms must have been submitted in order to apply for this cycle of funds.

CDBG Upper Story Housing Conversion Program

Eligibility Requirements

- **Eligibility for Applicants:**

- Non-Entitlement Units of General Local Governments (UGLGs)
 - Federally recognized tribes

- **Eligibility for Grant Administrator:**

- Applicants must work with an IDEA approved Grant Administrator to manage project administration.

- **Eligibility for the Property:**

- This program is limited to existing buildings to either rehabilitate un-occupied units or convert existing space into new units. An un-occupiable space is one that cannot be lived in and would not become livable through minor cosmetic updates. Eligible properties must have been unused for at least five (5) years and require substantial renovation and code upgrades to meet residential standards.

- For projects involving **mixed-use buildings**, the residential portion must qualify independently; **commercial improvements are ineligible** and are disallowed during Upper Story Conversions.

CDBG Upper Story Housing Conversion Program

Continued...

Eligibility for the Developer:

The developer must be a for-profit developer who owns the building. Ownership of the property or purchase agreement for the property must be provided with the application. For any property to be purchased for this program, no acquisition, purchase or real estate closing, may occur before **“Release of Funds”**.

A formal development agreement must be executed between the **Recipient Responsible Entity (City)** and the **Developer (Building Owner/Manager)**. While the Developer owns the property, the Recipient retains full program responsibility. This agreement must be submitted through Iowa Grants after the release of funds but before requesting the initial drawdown of funds.

CDBG Upper Story Housing Conversion Program

Continued...

Eligibility for the Developer:

If the Owner/Developer intends to serve as the **General Contractor (must be licensed)**, IEDA will provide the required template. The Owner must complete this form, and the City must submit it to IEDA subject to approval **prior to submitting the full application**.

Applicants must outline the development team and their roles in the application. Partners named pre-award and considered instrumental in preparing the application for the development team, are ineligible for later competitive procurement. Anyone not listed must be competitively procured, and those with early project insight are unable to bid.

CDBG Upper Story Housing Conversion Program

Program Requirements

- All awards will be capped at **\$400,000**, inclusive of administration costs.
- Program assistance is provided as a **five-year forgivable loan**, ensuring the property is not sold, transferred, or converted during that period of affordability.
- Properties receiving CDBG funds must have a **recorded forgivable loan or mortgage**, along with required covenants and restrictions and assignment of rents and leases, in place **before the first construction payment**.
- Projects funded under this activity may result in **mixed-income developments (LMI restricted units and Market-Rate units)**, where only the CDBG funded portion of units must meet program income and rent requirements.

CDBG Upper Story Housing Conversion Program

Continued...

Program Requirements

National Objective:

The program is funded through the Community Development Block Grant (CDBG) and is designed to meet HUD's **National Objective of benefiting low- and moderate-income (LMI) persons** under 24 CFR § 570.208(a)(3). The National Objective is met at initial lease-up.

- Certificate of Occupancy is required or a letter from the city as an alternative confirming standard living conditions of units.
- 51% of all units created must be rented to LMI persons or households (meaning half the number of units plus one).
- Tenant income must be completed in accordance with 24 CFR 5.609 (Part 5 Annual Income).
- Funding must be proportional to the number of LMI units (if CDBG is funding two thirds of the total project budget, then a minimum of two thirds of the units must be leased to LMI households).
- The number of units created must be proportionate in size and consistent in design to non-CDBG units.

CDBG Upper Story Housing Conversion Program

Continued...

Program Requirements

- Maximum rent for CDBG affordable units, by bedroom size, must not exceed the current HOME Program 65% rent limits.
- A rent calculation worksheet is required and must be included with the application package. This requires the owner to subtract out any essential tenant utilities from the maximum rent, so that rent + essential utilities = the HOME 65% rent limit (the worksheet is filled out in the application).
- The Owner/Developer must maintain ownership of the property for a Period of Affordability for five (5) years using income limits and rent limits as determined by HUD to approve rental applications for LMI tenants.
- Throughout the period of affordability, assisted rental property owners shall agree to periodic reporting requirements and compliance monitoring and/or inspections.

CDBG Upper Story Housing Conversion Program

Environmental Compliance

Upper-story conversion projects—classified by HUD as “**new construction**”—require a partial **up-front environmental review** at the time of application.

For residential conversions, three (3) conditions may **disqualify a project** before it begins:

- **Floodplain Location** — Sites in a floodplain.
- **Above-Ground Storage Tanks** — Tanks located within less than the **Acceptable Safe Distance** from the project site.
- **Excessive Noise Levels** — Noise readings **above 75 dB**.

CDBG Upper Story Housing Conversion Program

Continued...

Environmental Compliance

To evaluate these factors and avoid processing an ineligible project, the following items are required:

- **Floodplain** — A clear readable floodplain map showing property location. For the Upper Story Conversion Program, any property located in a floodplain is ineligible for funding.
- **Above-Ground Storage Tanks (AST) review** — Identification and distance of all ASTs from the State Fire Marshal's database, along with blast and/or thermal calculations is required for any tank within one (1) mile of the site.
- **Noise Assessment** — Noise calculations are required for applicable roads within 1,000 feet or rail lines within 3,000 feet of the project site.

CDBG Upper Story Housing Conversion Program

Environmental Compliance

Above-Ground Storage Tanks

Applicability (when documentation is required):

- Above-ground storage tanks
- Capacity of the tank is more than 100 gallons
- Contains flammable or combustible gases or liquids

An Explosive and Flammable Materials analysis must be submitted with the application.

Applicable tanks must meet the required Acceptable Separation Distance from the project site, or the risk must be appropriately mitigated. If separation or mitigation requirements cannot be met, CDBG funding is unavailable for the project.



CDBG Upper Story Housing Conversion Program

Continued...

Environmental Compliance

Above-Ground Storage Tanks

- Step 1: Identify any active above-ground storage tanks within one (1) mile of the project site through a visual survey.
- Step 2: Confirm tank locations and capacities using the State Fire Marshal's website.
- Step 3: For any tanks within one mile, run the [HUD Acceptable Separation Distance \(ASD\) Calculator](#).
- Step 4: If the tank is within the acceptable separation distance, the project may proceed.
- Step 5: If the tank is outside the acceptable separation distance, the risk must be mitigated or the project should not move forward.

CDBG Upper Story Housing Conversion Program

Environmental Compliance

Noise

- Projects must meet an **acceptable noise level of 65 dB**.
- A **noise analysis** must be submitted with the application.
- Acceptable noise levels must already exist **or be achievable** through mitigation.
- If acceptable levels cannot be reached, **CDBG funding is unavailable**.

CDBG Upper Story Housing Conversion Program

Continued...

Environmental Compliance

Noise Evaluation Outcomes

- **65 dB or lower:**
 - Meets acceptable standards.

- **Above 65 dB:**
 - Prior use of the space determines whether noise attenuation (The reduction of sound energy as it travels through a medium) is feasible:
 - Vacant now, **previously residential**
 - Vacant now, **previously non-residential**

CDBG Upper Story Housing Conversion Program

Continued...

Environmental Compliance

Vacant now where prior use was residential:

- **Acceptable noise levels at or below 65 dB.**
- **Above 65 dB but below 75 dB**
 - Falls within the “**Normally Unacceptable**” range.
 - **Attenuation is required** to achieve an interior level of **45 dB**.
- **Above 75 dB**
 - Considered “**Unacceptable.**”
 - The Responsible Entity must document—on letterhead and signed by the certifying officer—that:
 - Attenuation can achieve **45 dB** internally
 - The project supports **community planning objectives**
 - **No outdoor uses** are planned
 - The project meets a **documented housing need**

CDBG Upper Story Housing Conversion Program

Continued...

Environmental Compliance

Vacant now where prior use was non-residential:

- **Above 65 dB but below 75 dB**
 - Considered “Unacceptable.”
 - The Responsible Entity must document—on letterhead and signed by the certifying officer—that:
 - Attenuation can achieve 45 dB internally
 - The project supports community planning objectives
 - No outdoor uses are planned
 - The project meets a documented housing need
- **Above 75 dB**
 - Considered “**Unacceptable.**”
 - The project must not continue.

CDBG Upper Story Housing Conversion Program

Environmental Compliance Asbestos

Projects are subject to asbestos requirements; no exemptions apply.
Notification requirements:

- Online notification to the **DNR**
- Required forms must be **submitted and mailed** to DNR

Fees are waived when asbestos quantities remain below federal reporting thresholds:

- Less than **260 linear feet**
- Less than **160 square feet**
- Less than **35 cubic feet** of facility components
- And below reporting levels defined in **40 CFR 61.145** (as amended January 16, 1991)

CDBG Upper Story Housing Conversion Program

Continued... Environmental Compliance Asbestos

- You will more than likely need to hire contractors:
 - Asbestos Inspector
 - Abatement Contractor (if applicable)
 - Demolition Contractor (if applicable)

- Contractor Permits:
 - Any business or individual compensated to remove asbestos containing materials is required by the Iowa Division of Labor to obtain a certified asbestos contractor permit. Please call 515-281-6175 or visit the [Iowa Division of Labor](#) website([Iowa Division of Labor in Des Moines, IA 50309 - 515-242...](#)) for details.



CDBG Upper Story Housing Conversion Program

Continued... **Environmental Compliance** **Asbestos**

DNR Contacts:

- a. Tom Wuehr - Unit Leader: Compliance, Asbestos Abatement, and Demolition Projects
Phone: 515-725-9576
Email: Tom.Wuehr@dnr.iowa.gov
- b. Nathan Stueve - Compliance, Asbestos Abatement, and Demolition Projects
Phone: 515-725-9581
Email: Nathan.Stueve@dnr.iowa.gov
- c. Norma J Gentry - Asbestos Program
Phone: 515-725-9513
Email: norma.gentry@dnr.iowa.gov

CDBG Upper Story Housing Conversion Program

Environment Compliance Lead

CDBG-funded projects must follow Federal Lead Safe Housing regulations for all units built before January 1, 1978.

Projects must use one of the two approved approaches:

- Lead-Safe Interim Controls when eligible under the National Register exemption in 24 CFR 35.115, or
- Full lead abatement in accordance with Federal standards

These requirements apply to all awarded projects and must be addressed during the environmental review and compliance process. Lead-related work must be completed by qualified professionals, with documentation maintained for CDBG monitoring. Lead Safe Housing compliance is part of the broader State and Federal regulatory framework, including environmental review, civil rights, and fair housing. Grant Administrators must ensure each project meets all CDBG contract obligations and regulatory requirements.

CDBG Upper Story Housing Conversion Program

Environment Compliance

Radon

- A professional radon test is required for all projects.

If test results are above 4 pCi/L, radon mitigation must be completed before the project can move forward. Radon compliance is part of the standard State and Federal requirements tied to the use of CDBG funds. These requirements apply to all awarded projects and must be addressed as part of the overall environmental and regulatory review.

CDBG Upper Story Housing Conversion Program

Additional Conditions

- Land-contract purchases are ineligible for this activity.
- Phased projects are not eligible; all work must be completed as a single project.
- Licensed architects or engineers must be used for all design development—preliminary, final, and throughout construction for compliance.
- An IEDA lease addendums must be attached to tenant lease-ups to ensure compliance with the Period of Affordability.
- All multifamily units must comply with locally adopted building codes. Where no local codes exist, the current Iowa State Building Code applies.

CDBG Upper Story Housing Conversion Program

Additional Conditions

■ Unit Location Conditions

Basement units and first-floor storefront units are not eligible under this program. First-floor accessible units may be included only when they do not occupy commercial space and have a separate entrance from the commercial area.

■ Site Control Conditions

All properties proposed for rental housing must be identified in the application, including the address, legal description and must be secured before the application is submitted.

A Purchase Agreement may be used to document site control when the applicant does not yet own the building. However, no purchase may occur between the date of application submission and IEDA's Release of Funds for awarded projects.

CDBG Upper Story Housing Conversion Program

Required Uploads

The Application will need to include:

- Public Hearing Documentation:
 - Notice, Signed Meeting Minutes with 9 points (located in Appendix 1 of the CDBG Management under Citizens Participation Requirements on IEDA website) and Proof of Publication or Affidavit of Posting
- HUD Disclosure Form 2880 (Applicant/Recipient Disclosure Update Form).
- Federal Assurance Signature Page.
- Completed procurement for Administrative Services, if applicable. If procurement is not required, a copy of the approved resolution of intent to hire the local Council of Government or Planning Commission upon award.
- Completed Environmental Review ready for Publication.

CDBG Upper Story Housing Conversion Program

Required Uploads Continued...

- Site Control (Not necessarily ownership) for each property. Include property address and legal descriptions. (Purchase Agreement).
- List of known development team members showing roles and responsibilities, experience and contact information.
- Documentation of Proper Zoning.
- Drawing of Unit Layout by Floor (not full-scale blueprints) which indicates ADA Accessible Units (is applicable).
- Project Cost Estimate.

CDBG Upper Story Housing Conversion Program

Required Uploads Continued...

- Community Needs Assessment that was completed and approved at the Public Hearing for this Program and is not older than one year.
- Financial commitments including terms for construction and permanent financing for all sources of funds other than CDBG.
- Proforma – including minimum 10-year operating projects.
- Documents of concurrence and acceptance by the local government of the project location. Documentation of published notice and hearing meeting minutes.

CDBG Upper Story Housing Conversion Program

Application Evaluation Factors

Applications will be evaluated on, but not limited to, the following:

- Project Readiness
- Status of Financial Commitments
- Capacity to Complete and Maintain the Project
- Community Support
- Is There A Need

CDBG Upper Story Housing Conversion Program

Application Opens

- Applications are available at www.iowagrants.gov beginning today.
- Applications are **competitive** and must be submitted by **11:59 PM on August 17th, 2026**.
- The system will **not** accept applications after the deadline.
- **Incomplete applications will not be reviewed.**
- “Complete” means all required information is entered **and** all required attachments are uploaded at submission.
- **Contract Terms:**
- Three (3) years to complete the project.
- **Period of Affordability:**
- Five (5) years from Housing Unit Verification and the National Objective is met.
- **Annual reporting** is required during this period.

CDBG Upper Story Housing Conversion Program

Please provide questions in the Chat

