

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-266
JUNE 24, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
EXTENSION OF AGREEMENT BETWEEN NEIGHBORHOOD FINANCE CORPORATION, POLK COUNTY, AND CITY OF DES MOINES	◆ RESOLUTION ORDINANCE RECEIVE/FILE	MARTIN FREDERICKSON FINANCE DEPARTMENT

SYNOPSIS —

The current Intergovernmental Agreement between the City of Des Moines, Polk County, and the Neighborhood Finance Corporation (NFC) expires on June 30, 1996. City staff is finalizing an evaluation assessment of the targeted neighborhood planning/implementation process and the degree of success we have experienced in this initial multi-year phase. In addition, it is essential that a continuing funding source be identified for the City's contributions to NFC if another multi-year commitment is agreed to by the City.

Both the evaluation process and the identification of a stable funding source will require a time period which exceeds the June 30, 1996, expiration date for the current contract. As a result, I am recommending a one-year extension of the current agreement.

FISCAL IMPACT —

A one-year extension commits the City to another \$1.0 million contribution which will bring the City's total commitment to \$6.0 million for the period November 5, 1990 through June 30, 1997. The funding will be provided from proceeds of the 1995-96 General Obligation Capital Improvements Bonds, Series 1996C which were sold for this purpose.

RECOMMENDATION —

Approval of a one-year extension, to June 30, 1997, of the Agreement between the NFC, Polk County, Iowa, and the City of Des Moines.

BACKGROUND —

Council was provided detail regarding this subject via letter on June 13, 1996. Key elements are as follows.

On November 5, 1990, the City of Des Moines, Polk County, and the NFC entered into an agreement pursuant to the provisions of Chapter 28E *Code of Iowa* for various housing services. The agreement was multi-year and committed the City to a four-year funding agreement of \$1.0 million annually.

On October 2, 1995, with Roll Call No. 95-3806, Council extended the agreement for one year and added an additional \$1.0 million contribution bringing the City's total commitment to \$5.0 million.

In April 1996, the City forwarded to the NFC the final \$1.0 million installment of the City's initial \$5.0 million multi-year commitment, and the Agreement expires June 30, 1996. Since its inception, NFC has accomplished much to address housing deficiencies and needs within designated neighborhoods. City and Polk County dollars have leveraged more than \$33.6 million in private investor and Federal National Mortgage Association (FnMa)

funding to address housing needs in these areas. Through April 1996, NFC has made 894 loans, totaling more than \$30.4 million, which have resulted in the rehabilitation and/or construction of 827 single-family and 230 multi-family housing units.

We are very encouraged by our achievements to date. City staff has, in conjunction with affected residents, developed specific redevelopment plans for 12 different designated neighborhoods. We have likewise fashioned a systematic revitalization process which brings together the City, Polk County, the private sector, and affected residents to address neighborhood problems.

Staff is currently completing a comprehensive evaluation of the program's results.

Ideally, with the success experienced to date, the City might look to expand our annual commitment beyond the \$1.0 million set forth in the initial five-year effort. However, given the present financial situation, I do not consider it prudent for the City to expand its annual commitment beyond the current \$1.0 million level. I also hesitate for the City to enter into a new five-year NFC commitment until such time as we can identify a stable, ongoing funding source.

The City fulfilled its initial five-year commitment (\$5.0 million) by periodically issuing General Obligation (GO) Bonds in accordance with NFC's funding needs. In order to build upon this momentum, the City Council, in April 1996, authorized the issuance of an additional \$1.0 million in bonds to support NFC activities during FY 1996-97 (Roll Call No. 96-1446). These funds will be forwarded to NFC as required, pending extension of the present Intergovernmental Agreement. Therefore, since 1991, the City will have incurred \$6.0 million in bonded indebtedness to support neighborhood revitalization lending.

Extending the current agreement through mid-1997 will likewise give City staff additional time to evaluate the impact of organizational changes presently taking place within the soon-to-be combined Community Development and Community Services Departments. As we refine and evaluate our ability to respond to neighborhood needs through this new staffing arrangement, we will be better able to address how a collective City/County/NFC partnership should respond to long-term revitalization needs. Hopefully, those changes will be incorporated into a new five-year Intergovernmental Agreement.