

CITY COUNCIL COMMUNICATION 97-068  
FEBRUARY 17, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
CAPITOLVIEW SOUTH/SINGLE-FAMILY AFFORDABLE HOUSING PROGRAMS	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

**SYNOPSIS —**

Revisions to the Capitolview South Affordable Housing Program and the Single-Family Affordable Housing Program design have been prepared.

**FISCAL IMPACT —**

Tax Increment Financing funds are utilized to provide construction financing and gap subsidy financing for the Capitolview South Affordable Housing Program. Repayment of the construction financing is deposited into the Single-Family Affordable Housing Program account to provide a gap subsidy for infill housing in designated neighborhoods and in areas eligible for 10-year, 100 percent tax abatement.

**RECOMMENDATION —**

Approval of program revisions.

**BACKGROUND —**

Capitolview South Affordable Housing Program

The proposed revisions to this program provide that:

- The City will supply the construction financing for the project.
- The Housing Conservation Division of the Community Development Department will monitor and inspect the project throughout the construction phase as well as distribute the payouts for work completed.
- The Developer will be responsible for marketing the project to qualified home buyers.
- The Developer will return to the City an amount equal to the appraised value of the property within five working days of the sale of the property or 365 days from the date the agreement between the City and the Developer is signed.
- The gap subsidy will be the difference between the appraised value of the house and the cost of construction. A forgivable lien will be placed against the property for an amount equal to the gap subsidy. The lien will be forgiven over a period of 10 years at a rate of 1/120 per month.
- A completion bond, letter of credit or a guarantee of completion approved by the City of Des Moines' Legal Department will be required for any project over \$100,000. Two or more homes constructed by the same developer count as one project.
- The Community Development Department staff will review the submitted proposals and forward funding recommendations to the Urban Renewal Board and the City Council for approval.

Single-Family Affordable Housing Program

This program utilizes the sales proceeds from the Capitolview South Affordable Housing Program to fund the gap that exists between the cost to construct a new home and the appraised value.

- This program will follow the processes used in the Capitolview South Program in terms of submission requirements and approval process. Major differences between this program and the Capitolview South Program are:
  1. The City will not provide the construction financing. The Developer will be required to obtain a construction loan from a private lender or the Neighborhood Finance Corporation. The City will provide the gap subsidy after the construction is completed. A forgivable lien for the amount of the gap subsidy will be placed against the property.
  2. The gap subsidy may be used in designated neighborhoods or in areas eligible for 10-year, 100 percent tax abatement.
- The houses will qualify for tax abatement.
- The Urban Renewal Board will review only those projects involving the sale of Urban Renewal Parcels for redevelopment. The development of those parcels which are privately-owned, county-owned or owned by a neighborhood group will not require Urban Renewal Board approval.
- The Developer will be responsible for marketing the project to qualified home buyers.
- City staff will review proposals and select qualified developers.

The Neighborhood Advisory Board reviewed the amended Capitolview South Affordable Housing Program and the Single-Family Affordable Housing Program at their January 15, 1997, Board meeting and recommended approval of the modifications. The Urban Renewal Board reviewed the revisions to the Capitolview South Affordable Housing Program and the Single-Family Affordable Housing Program at their February 4, 1997, Board meeting and approved the changes.