

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**98-196**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**AGENDA:**  
MAY 18, 1998

**SYNOPSIS —**

**SUBJECT:**  
CITY FUNDING  
COMMITMENT TO  
THE  
NEIGHBORHOOD  
FINANCE  
CORPORATION

In accordance with an Intergovernmental Agreement, the Neighborhood Finance Corporation (NFC) has requested the City provide the \$1.0 million funding allocation required to support lending efforts during the upcoming year.

**TYPE:**  
**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**FISCAL IMPACT –**

The Fiscal Year 1997-98 Annual Operating Budget includes a \$1.0 million authorization to support NFC lending financed by the April 1997 General Obligation Bond sale.

**SUBMITTED BY:**  
KEVIN RIPER  
FINANCE  
DIRECTOR

**RECOMMENDATION –**

**Authorize the Finance Director to release said payment to NFC as part of the Schedule of Warrants acted upon by the City Council on May 18, 1998.**

JAMES GRANT  
COMMUNITY  
DEVELOPMENT  
DIRECTOR

**BACKGROUND –**

In accordance with the Intergovernmental Agreement, the NFC has requested the City and Polk County forward the local government funding required to support ongoing lending efforts. Government source funds (City and Polk County) will initially be used to underwrite the upcoming Federal National Mortgage Administration (FNMA) contract which provides for the sale of NFC-held mortgages to FNMA. This new NFC/FNMA contract calls for a \$5.0 million commitment which requires a \$250,000 reserve to be drawn from NFC's City/County funding. Since the initial contract in July 1994, the NFC has sold more than \$11.5 million of loans from its lending portfolio to the FNMA.

City/County funds will also be utilized to support ongoing

lending efforts associated with the approved North of Grand and Fairgrounds Neighborhood Plans, as well as lending associated with emerging plans for the Sherman Hills and Gray' s Woods Neighborhoods. When additional private sector funding is needed to underwrite ongoing NFC lending efforts, these local government source funds will also be coupled with additional private sector funding that NFC anticipates to be raised over the next 12 months.

This program has helped the City, working in concert with Polk County and NFC, to revitalize and preserve housing stock within designated neighborhoods. From its inception in 1991, and through April 1998, NFC has closed 1,222 loans (1,419 housing units) totaling more than \$54.2 million. This means that, over time, the \$12.0 million in City/County funding provided to NFC has generated \$42.2 million in private/FNMA investment (a private/FNMA/public leverage ratio of 2.5:1:1). NFC lending efforts have also effectively served low-/moderate-income and minority residents, as evidenced by the fact that during 1997, 70 percent of all loans were made to households meeting low-/moderate-income guidelines, with 28 percent of the borrowers classified as minority households.

This \$1.0 million contribution fulfills the City' s initial funding commitment under the terms of the joint Intergovernmental Agreement between the City, Polk County, and the NFC formally filed with the Secretary of State on July 2, 1997. The duration of that Agreement covers the period from July 1, 1997 through July 1, 2002.