

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

98-329

SYNOPSIS —

AGENDA:
AUGUST 17, 1998

SUBJECT:
AGREEMENT TO
CREATE A
NEIGHBORHOOD
DEVELOPMENT
CORPORATION

This resolution will approve the signing of a 28E Agreement between the City of Des Moines, Polk County, and the Neighborhood Development Corporation (NDC) creating an entity that will assist in efforts to revitalize distressed neighborhood commercial areas, vacant lots, and abandoned housing stock. Included in this packet are bylaws and articles of incorporation for the proposed NDC.

TYPE:
**RESOLUTION
ORDINANCE
RECEIVE/FILE**

FISCAL IMPACT –

SUBMITTED BY:
JAMES GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

This agreement requires a commitment of \$1,225,000 of Urban Development Action Grant (UDAG) early repayment funds as identified in the 1998-99 Capital Improvements Program (CIP) budget. It is anticipated that the NDC may apply for additional funding from the City such as Tax Increment Financing (TIF) or Community Development Block Grant (CDBG) funds as needed for specific projects.

RECOMMENDATION –

Direct the Mayor to sign the 28E Agreement for the creation of a NDC.

BACKGROUND –

In 1989, the City and Polk County jointly sponsored a study of housing and neighborhood needs within the City of Des Moines. The firm of Stockard and Engler was chosen to study the City’ s housing stock and neighborhood conditions and service delivery systems. Additionally, the firm was to develop a plan of action to be used in revitalizing the City’ s neighborhoods. The result of these efforts was the “ Housing Improvement and Neighborhood Revitalization Report,” more

commonly known as the Stockard & Engler Report.

On February 19, 1990, by Roll Call No. 90-680, the City Council voted to accept this document. One key recommendation of this report was that the governmental entities, the private sector, nonprofit housing entities, and neighborhood groups should all work together to focus revitalization activity in defined neighborhood areas. The result was the creation of the Neighborhood Finance Corporation (NFC) for the purpose of linking public funds with private funding to provide alternative financing for the purchase and rehabilitation of housing. The NFC was incorporated as an Iowa nonprofit corporation on May 4, 1990, through a joint effort of the City, Polk County, and the Des Moines Development Corporation. This formation included the creation of a 28E agreement between the City of Des Moines, Polk County, and the NFC in which the City and County agreed to provide funding in the amount of \$1 million annually. Since its formation, the NFC has used the money provided to leverage private funding and has provided \$50 million in loans, grants, and subsidies for 1,434 units of housing in 12 neighborhoods.

Another recommendation made by Stockard and Engler was the creation of a NDC that would implement development activities identified in neighborhood plans. Stockard and Engler stated that after the NFC was functioning for a year, the Board of Directors would review the need for a nonprofit development corporation. Based on its experience with neighborhood revitalization, the NFC determined that there was a need for an entity that would implement revitalization projects. An evaluation of the Neighborhood Revitalization Program that was presented to the City Council on October 21, 1996, also identified the need for a development corporation to complete the goals identified in neighborhood action plans.

The Neighborhood Revitalization Board (NRB) reviewed and approved this proposal at their meeting on January 21, 1998. On March 2, 1998, the City Council reviewed the proposal and directed staff to develop articles of incorporation, by-laws, and a 28E Agreement to create the NDC. Council also approved the 1998-99 CIP budget which identified \$1.225 million of UDAG early repayment funds to provide funding for projects and the operating budget for a NDC. It is anticipated that the NDC will obtain other financing for specific projects which could include other City funds, federal funding, tax increment financing, Neighborhood Finance Corporation loan funds, and other

outside sources.

The 28E Agreement attached to the roll call states that the City will contribute \$75,000 per year for three years to the NDC. Combined with \$150,000 per year from Polk County and \$75,000 per year from the Des Moines Development Corporation, the NDC will have an operating budget of \$350,000 per year for three years. The primary purpose of the NDC is to plan, coordinate, and implement public and private redevelopment efforts within recognized, designated, and charter neighborhoods located in low- to moderate-income census tracts in the City and Polk County. The NDC will provide technical and management resources to assist the City and the County to combat community deterioration through community redevelopment efforts designed to assist in the creation of housing, small business, and employment opportunities in low- to moderate-income census tracts. These efforts may include acquisition of commercial and residential properties, leasing or selling real property, participating in or sponsoring development projects, entering into contracts for the redevelopment of commercial and residential properties, and entering into cooperative efforts with public and private entities to support redevelopment projects.

The NDC will be a nonprofit organization with a Board of Directors with 14 members that will include the following: Polk County Representative; City of Des Moines Representative; Neighborhood Revitalization Board Representative; Des Moines Development Corporation Representative; Mid-City Business Center Representative; Neighborhood Finance Corporation Representative; two neighborhood residents appointed by Polk County; two neighborhood residents appointed by the City; two business representatives appointed by Polk County; and two business representatives appointed by the City.

To avoid conflicts of interest under U.S. Department of Housing and Urban Development (HUD) guidelines, no City staff member involved in CDBG recommendations or approvals may be eligible for appointment to the NDC. Nor can any person jointly be a member of the NDC and the NRB so long as the NRB is engaged in CDBG approvals.

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