



Agenda Item:
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COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

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Roll Call No.:

Submitted by: Chris M. Johansen, Housing Services Director

SUBJECT—

City Council approval of Community Development Block Grant (CDBG) and Home Investment Partnerships (HOME) Program carryover funds for the 2005 Neighborhood Conservation Services (NCS) Owner-Occupied and Investor-Owned Rehabilitation Programs.

SYNOPSIS—

Approval to carryover prior years' CDBG and HOME funds for the 2005 NCS Owner-Occupied and Investor-Owned Rehabilitation Programs.

FISCAL IMPACT—

Carryover of CDBG (\$783,274) and HOME (\$778,567) funding totaling \$1,561,841 for the 2005 NCS Owner-Occupied and Investor-Owned Rehabilitation Programs. The carryover funding will be added to the 2005 allocations of CDBG funds (\$765,798) for the Owner-Occupied Rehab Program and \$418,283 of CDBG funding for the Investor-Owned Rehab Program. Total funding available for the 2005 program year will be \$1,083,229 for the Owner-Occupied Rehab Program and \$1,662,693 for the Investor-Owned Rehab Program.

RECOMMENDATION—

Approval

BACKGROUND—

Owner-Occupied Rehabilitation Program

The Community Development Department's NCS Division administers the CDBG and HOME funded Owner-Occupied and Investor-Owned Rehabilitation Programs.

This request is to carryover \$256,360 of CDBG and \$61,071 of HOME funding from the 2004 Owner-Occupied Rehab Program, to be added to the 2005 NCS Owner-Occupied Rehab Program.

As of December 31, 2004, the NCS Division processed 35 Major Home Repair applications. Of those 35 applications, 26 were funded. A total of \$355,843 of HOME and \$766,086 of CDBG funding has been contracted but not totally expended.

As of January 2005, NCS stopped taking applications for the Owner-Occupied Rehab Program due to limited funding and the need to develop new underwriting standards. The Neighborhood Revitalization Board (NRB) was advised of this policy. The \$61,071 of HOME funds remains because a loan committed at the end of the fiscal year was determined to be infeasible. NCS staff is reserving these funds for a household that may lose their children due to elevated levels of lead in their blood from exposure to lead based paint in the home.

In addition, the NCS Owner-Occupied Rehabilitation Program also served 107 households from the Minor Repair Program with \$250,000 of CDBG funds and \$250,000 of Polk County Housing Trust Funds.

Investor-Owned Rehabilitation Program

This request is to carryover \$526,914 of 2004 CDBG and \$717,496 of 2004 HOME funding to be added to the 2005 NCS Investor-Owned Rehabilitation Program.

As of December 31, 2004, the NCS Division assisted in the rehabilitation of 26 rental units. It should be noted that of the above carryover request, \$21,262 has been contracted.

The reason for the carryover balance is that funds reserved for two large tax credit projects were not used because the developers were unsuccessful in obtaining financing.

Currently there are a limited number of projects in the pipeline; however, NCS staff has had several recent requests for the use of these funds. Staff received a number of requests from potential landlords who attended a \$1,000 grant workshop on how to obtain government financing. NCS staff provided these individuals with applications and program rules, however, no one has submitted an application. NCS has received three calls from property owners who are considering applying but NCS has not received any applications to date. Currently there are no downtown housing projects seeking funding; however, the Tax Credit application process for this year has yet to begin. Neighborhood Development Corporation (NDC) is planning to make an application to rehab the rental units at one of the buildings on East Grand Avenue. The Harbor of Hope Shelter expressed strong interest in rehabbing their facility, but has not identified any other matching funds.

There are a number of potential candidates for the Tax Certificate program that may need gap financing. NCS staff revised the 2005 Work Program to allow investors to purchase vacant properties and rehab them for sale as a single family home. Currently this program is allowed by NCS regulations, but is identified as an activity for the Owner-Occupied Rehab Program. Given the increasing need to address vacant and abandoned buildings it appears that the Investor-Owned project may be a more appropriate funding alternative. There is also a City and County staff committee, which is examining how funds can

more effectively address the abandoned property issue, and it is important that funding be available to assist in any initiative proposed by this committee.

The City of Des Moines Housing Services Department is in the process of selling 250 units of public housing. The Polk County Housing Trust Fund (PCHTF) proposal currently being discussed identifies the need for funding for the rehabilitation of the units. NCS staff has requested that the unspent 2004 funds be carried over so that those funds can be available for nonprofit organizations that need to use them to rehab the units.

In summary, the Community Development Department is requesting to carryover \$526,914 of CDBG funds and \$717,496 of 2004 HOME funds to the 2005 NCS Investor-Owned Rehabilitation project. Community Development staff believes that the organizational restructuring; the need to rehabilitate the public housing units purchased by the non-profits; and the need to address the vacant and abandoned properties justifies the carryover of these funds.

At their meeting on June 27, 2005, the NRB reviewed the proposed CDBG and HOME carryover for the above projects and recommended approval. _