



**Council  
Communication**  
Office of the City Manager

**Date**

August 7, 2006

**Agenda Item No.** 30  
**Roll Call No.** 06-  
**Communication No.** 06-498  
**Submitted by:** Larry Hulse, Community  
Development Director

**AGENDA HEADING:**

Approval of HOME Agreement with Community Housing Development Corporation for development of a single family home at 1317 Clark and use of HOME proceeds for affordable housing.

**SYNOPSIS:**

Recommend approval of HOME Investments Partnership Program (HOME) Agreement for construction of a single family house in the Mondamin Presidential Neighborhood. The Community Housing Development Corporation (CHDC) (601 Forest Avenue, Des Moines, Iowa, Carol Bower, Executive Director) is the developer. The commitment allows CHDC to reuse any HOME proceeds from the sale of the house for construction or renovation of additional affordable housing in Des Moines. The reuse of HOME proceeds is possible because of CHDC's status as a HUD certified Community Housing Development Organization, the only one currently in Des Moines.

**FISCAL IMPACT:**

Amount: \$152,000

Funding Source: Fiscal Year 2006-07 Operating Budget, HOME Entitlement Dollars, SP036 CDD049900, Page 315.

**ADDITIONAL INFORMATION:**

On April 10, 2006, the City Council approved an agreement with the Community Housing Development Corporation (CHDC) to commit \$152,000 for acquisition costs, construction financing and construction of a new house at 1317 Clark to be sold to a qualified buyer whose income is below 80% of median income. The house to be constructed will have 3 bedrooms, 2 baths and approximately 1250 sq. ft.

Under the terms of the agreement, a portion of the \$152,000 of HOME funds will be permanently used for "gap financing", the gap between the cost to develop the house and the end appraised value to a low-income buyer. Des Moines Real Estate Services, a Des Moines appraisal firm, has appraised the end value of the house as \$118,000 which will be the purchase price. Therefore, \$34,000 of the HOME funds will be used to fill the gap between the cost of the construction and the end value of the home to a buyer at 80% of median income.

This contract allows CHDC to retain the project proceeds from the sale of the home at 1317 Clark for future affordable housing projects. All the future projects must be approved by City staff prior to commitment of the HOME proceeds. The proceeds must be used for HOME eligible activities but are

not subject to all the HOME Program rules. For example, renovation projects funded with Community Housing Development Organization (CHDO) proceeds do not have to adhere to all the lead base paint requirements of HOME projects, and a different definition of low-income is allowed. The contract to be approved by City Council defines low income as 100% or below of median income. HOME Program requirements are 80% of median income. The higher income definition will allow flexibility in encouraging mixed-income neighborhoods. The contract states that the proceeds may be used by CHDC for additional new construction anywhere in the city or rehabilitation of properties acquired through the tax certificate process or within the Forest Avenue Urban Renewal Area.

This project is possible because CHDC is certified as a CHDO under the HOME program because of the structure of its board and its outreach to the community. Through recent HOME training, city staff learned that cities participating in the HOME Program are required to set aside a minimum of 15% of their HOME allocation for use by CHDOs. The HOME Final Rule at 24 CFR 92.300(a)(2) gives participating jurisdictions the option of permitting CHDOs to retain any or part of the proceeds resulting from the CHDO's investment of its CHDO set-aside funds. This rule includes allowing a CHDO to retain any proceeds remaining after the sale of a home that has been subsidized by HOME funds. This will allow future projects to be less costly because CHDC will be able to accomplish some of the work without bank financing. CHDC is currently the only HUD certified CHDO in Des Moines.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: April 10, 2006

Roll Call Number: 06-655

Action: [Agreement](#) to commit funds to Community Housing Development Corporation for development of a single family home at 1317 Clark Street. ([Council Communication No. 06-203](#)) Moved by Hensley to adopt. Motion Carried 6-1.

Date: March 20, 2006

Roll Call Number: 06-463

Action: [Receive](#) and file proposals for 23 single-family houses as part of the 2006 New Construction Program. ([Council Communication No. 06-112](#)) Moved by Vlassis to adopt. Motion Carried 6-1.

Date: March 6, 2006

Roll Call Number: 06-359

Action: Assignment of Tax Sale Certificates for six properties -- three to Greater Des Moines Habitat for Humanity and three to Community Housing Development Corporation. ([Council Communication No. 06-089](#)) Moved by Hensley to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**