



MHGB
Communication
Office of the City Manager

Date

August 7, 2006

Agenda Item No. MHGB2
Roll Call No. 06-
Communication No. 06-506
Submitted by: Chris M. Johansen, Housing
Services Director

AGENDA HEADING:

Plan for the Use of Earnings from the Affordable Housing Endowment Fund.

SYNOPSIS:

Approval of the plan for use of the earnings from the Affordable Housing Endowment Fund.

FISCAL IMPACT:

Amount: \$1,000,000 (estimated earnings by December 2008)

Funding Source: To reflected in the FY 2008-09 Housing Services Budget, Enterprise Fund SP350

ADDITIONAL INFORMATION:

The Federal Regulations for Disposition state the following:

Net proceeds, including any interest earned on the proceeds, (after payment of HUD approved costs of disposition and relocation under paragraph (a) of this section) shall be used, subject to HUD approval, as follows:

- (1) For the retirement of outstanding obligations, if any, issued to finance original development or modernization of the project; and*
- (2) Thereafter, to the extent that any net proceeds remain, for the provision of housing assistance for low-income families, through such measures as modernization of low-income housing or the acquisition, development, or rehabilitation of other properties to operate as low-income housing.*

Our approval from HUD for disposition states the following:

Use of proceeds for physical improvements to the remaining public housing stock. You may apply at a later date to revise this approval by specifying an alternate use of the proceeds.

On February 23, 2004, the Municipal Housing Governing Board established a "Policy for the Use of Proceeds from Disposition of Public Housing Program Units," which established the Affordable Housing Endowment Fund. As of June 30, 2006, the earnings of the fund were \$142,236.40. The principal balance in the Affordable Housing Endowment Fund as of July 18, 2006 was \$4,248,298.50. Currently, interest rates are 5.25%.

The Housing Department anticipates closing on approximately 100 units by the end of this fall. It is estimated that our first \$1,000,000 of earnings will be realized by the end of December 2008. The Des

Moines Municipal Housing Agency (DMMHA) is responsible for monitoring and administering these funds after approval is received from HUD for their use.

The following are recommendations for the use of the first \$1,000,000 of earnings:

1. Use \$250,000 of the earnings to fund the construction of the new proposed shelter for Central Iowa Shelter and Services - CISS (formerly Churches United). This funding would cover a portion of the construction costs for CISS' housing programs; this represents an urgent need in the community.
2. Use \$250,000 of the earnings to supplement the Neighborhood Conservation Services (NCS) New Construction Program. Representatives from the Polk County Housing Trust Fund (PCHTF) would be included in the review team to determine the projects for recommended funding.
3. Use \$500,000 of the earnings for the acquisition of substandard housing (mobile home parks). This would be a pilot program that would include relocation costs for families and funding to redevelop the site. The DMMHA will partner with the PCHTF to coordinate the relocation efforts.

The Public Housing Advisory Board will review the CISS proposal and the NCS funding recommendations prior to making a recommendation to the Municipal Housing Governing Board. Staff will then seek approval from HUD for the proposed uses prior to submitting a recommendation to the Municipal Housing Governing Board for final approval.

Important Considerations:

- The NCS proposed funding would address the need for affordable infill housing.
 - A process is already in place to allocate funding for new construction.
 - The Housing Services Department would be responsible for monitoring the use of this funding and already monitors NCS programs.
 - HUD would like additional units to be added to the affordable housing inventory in Des Moines.
 - NCS could utilize this funding to enhance its neighborhood revitalization efforts.
 - HUD has previously denied a request to grant money to the PCHTF from our original application.

PREVIOUS COUNCIL ACTION(S): NONE

Date:

Roll Call Number:

Action:

BOARD/COMMISSION ACTION(S):

Date: November 4, 2002

Roll Call Number: 02-2579

Action: Approving disposition application of 394 Public Housing Units for submittal to the U.S. Department of Housing and Urban Development. (Council Communication No. 02-559). Moved by Vlassis to approve. City Manager to provide Board with an implementation plan and timeline. Motion Carried 5-3. Absent: Daniels, McPherson and Clark.

Date: January 21, 2004

Roll Call Number: PH04-04

Action: Recommend Approval of the Policy for the Use of Proceeds from Disposition of Public Housing Program Units to the Municipal Housing Governing Board.

Date: February 23, 2004

Roll Call Number: 04-341

Action: Approval of the “Policy for the Use of Proceeds from Disposition of Public Housing Program Units” and authorize development of a Section 32 Plan for submittal to U.S. Department of Housing and Urban Development. (Council Communication No. 04-090). Moved by Hensley to approve. Motion Carried 8-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Submit proposed uses to HUD for approval.