



Council Communication

Office of the City Manager

Date	January 22, 2007
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Agenda Item No.	24
Roll Call No.	<u>07-</u>
Communication No.	<u>07-026</u>
Submitted by:	Larry Hulse, Community Development Director

AGENDA HEADING:

Approval of CDBG Housing Program, Nonprofit Contract for Home Ownership, and Approval of Commitment Contracts for Execution by Community Development Department.

SYNOPSIS:

Recommend approval of a new homeownership program to be operated by the Community Development Department using Community Development Block Grant (CDBG) dollars. Specifically, the City will provide funding to a nonprofit housing provider for the purchase/rehabilitation of single family housing. Renovated homes will be sold on real estate contract to a low income purchaser who will occupy the house as their primary residence. This program is only eligible for nonprofit housing providers.

FISCAL IMPACT:

Amount: \$400,000

Funding Source: Fiscal Year 2007 Recommended Operating Budget, City Community Development Block Grant Funds, 2006 Owner-Occupied Rehabilitation Program, Component 3, Home Buyer Acquisition/Rehabilitation, SP020 CDD049900, CDBG2006014; OR King Irving Housing Consortium, SP020 CDD049900 CDBG2006018, page 313.

ADDITIONAL INFORMATION:

The program is developed in response to financing, title, and renovation problems identified when working on the Forest Avenue Urban Renewal Plan and when developing legislation to reform real estate installment contract sale processes.

HOME, Inc., a nonprofit housing provider and developer, has secured a \$300,000 line of credit from the Iowa Finance Authority (IFA) for homes to be sold on real estate contract. The City's Community Development Block Grant funds can be used in combination with the IFA grant to provide subsidy for rehabilitation to ensure the home is affordable to a low-income homeowner. The City will utilize CDBG funds already set aside for renovation for homeownership in the Home Occupied Rehabilitation Program or the King Irving Housing Consortium, depending on location of the house.

HOME, Inc. will work closely with the City of Des Moines Community Development Department in selecting homes for renovation and selecting homeowners. The purpose of this program is three- fold:

1. To assist neighborhood revitalization efforts by renovating houses that are in poor condition. Example: There are houses within the Forest Avenue Urban Renewal Area that have been sold on contract to a low-income homeowner and cannot be assisted with rehabilitation unless the contract seller agrees to the City's covenants and liens. This process can be facilitated if a nonprofit housing provider such as HOME, Inc. buys the real estate contract and renovates the home for the contract buyer.
2. To assist families that are good candidates for homeownership but may not be able to achieve homeownership through conventional financing. Example: There are families that do not have the credit or resources to purchase a home through a conventional lender. These families often look to a real estate contract sale, but have sometimes been taken advantage of by the real estate contract seller. The family may be living in an unsafe home, but are unable to afford rehabilitation and will lose a substantial investment if they move. This program will allow HOME, Inc. to purchase the property from the contract seller and renovate using City CDBG funds. The property can be sold to the same family through a real estate contract with HOME, Inc.
3. To protect the City's investment for the long term by working only with nonprofit housing providers. Example: The contract buyer may be a high risk individual for homeownership. The City's investment is protected if the nonprofit retains ownership of the title and provides support services to the homeowner by escrowing taxes and insurances and being flexible if a family member loses a job or becomes ill.

HOME, Inc. expects to purchase and renovate approximately eight to ten properties using the IFA loan pool over the next three years. CDBG funds will be used to supplement the rehabilitation funds for the project.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE