



Council Communication

Office of the City Manager

Date February 12, 2007

Agenda Item No. 47
Roll Call No. 07-
Communication No. 07-081
Submitted by: Larry Hulse, Community
Development Director

AGENDA HEADING:

Authorizing Execution of HOME Contract Documents with Community Housing Initiatives, Inc. for renovation of low-income rental housing.

SYNOPSIS:

Recommend allocating City HOME funds for rehabilitation of thirty-four units (12 structures) that the Des Moines Municipal Housing Agency has sold to Community Housing Initiatives, Inc. (14 W 21st Street, Spencer, Iowa 51301, Doug LaBounty, Executive Director). Council is asked to approve HOME contract documents for \$250,000 for renovation of rental housing located in the vicinity of 49th St. and Meredith Dr., 5200 block of SE 6th St. and 3712 Indianola Road.

FISCAL IMPACT:

Amount: \$250,000 – City HOME Loan to be advanced during construction as work is completed.

Funding Source: Fiscal Year 2006-07 Operating Budget, Home Investment Partnerships (HOME) funds, SP036 CDD49900 HOME 2007009, page 315.

ADDITIONAL INFORMATION:

The Community Housing Initiatives (CHI) Project is a scattered site project that consists of 8 duplexes in the 4000 block of 49th Street, 3 duplexes in the 5200 block of SE 6th St., and a 12 unit town house development at 3716 Indianola Road, for a total of 34 units. By Roll Call No. 06-2051 on October 23, 2006, and Roll Call Nos. 07-091 and 07-092 on January 22, 2007, the Des Moines Municipal Housing Agency Governing Board approved the sale of these buildings to CHI. By Roll Call No. 06-775 on April 24, 2006, the City Council committed \$250,000 of Home Investment Partnerships (HOME) funds to CHI for this project in order to commit the funds in a timely fashion.

CHI is a non-profit housing development organization that is based in Spencer, Iowa. The Executive Director is Doug LaBounty. CHI has worked on successful developments in numerous Iowa and Nebraska towns that utilize Low Income Housing Tax Credits, Historic Tax Credits and Iowa Department of Economic Development funds. In order to begin development and management of their units in Des Moines, they have opened an office in the East Village.

The Community Housing Initiatives Project is financed with multiple funding sources including, Federal Home Loan Bank, State HOME, Polk County Housing Trust Fund and the Neighborhood

Finance Corporation. The units to be rehabilitated were sold by the Des Moines Municipal Housing Agency at 75% of assessed value. The project does not utilize Low Income Housing Tax Credits. The City is not administering the State HOME funds for this project.

The City’s portion of the project is \$250,000 of HOME funds. The total development costs for the project are \$1,941,675 with a cost per unit of \$57,108. The City’s HOME funding will be only for rehabilitation costs and equal \$7,353 per unit. The City HOME funding is secured with a five-year forgivable lien and five-year period of affordability.

The units to be renovated will be occupied by families below 50% of median income and are considered to be low rent HOME units. The construction subsidy provided by the HOME loan allows the developer to provide the units at a lower monthly rent. The net rent for one bedroom units will be \$485, for 2-bedroom units \$535, and for 3-bedroom units \$585.00.

Sources and Uses:

<u>Sources</u>		<u>Uses</u>		
First Mortgage (NFC) \$	174,600	Acquisition	\$	1,151,475 (59%)
(NFC 5%)		Construction	\$	547,200 (28%)
City HOME Loan	\$ 250,000	Professional Fees	\$	3,000 (0%)
IDED HOME Loan	\$ 800,000	Interim Costs	\$	58,000 (3%)
Federal Home Loan	\$ 170,000	Financing	\$	17,000 (1%)
Bank				
Polk Co. Housing	<u>\$ 547,075</u>	Developer Fees	\$	25,000 (1%)
Trust Fund		Reserves	\$	<u>140,000 (7%)</u>
Total Sources	\$ 1,941,675	Total Uses	\$	1,941,675

PREVIOUS COUNCIL ACTION(S):

Date: December 18, 2006

Roll Call Number: 06-2474

Action: [Extension](#) of “Agreement to Commit HOME Funds” to Community Housing Initiatives, Inc. for rehabilitation of 34 units of rental housing. ([Council Communication No. 06-785](#)) Moved by Vlassis to adopt. Motion Carried 6-0.

Date: April 24, 2006

Roll Call Number: 06-775

Action: [Agreement](#) to Commit Funds to Community Housing Initiatives, Inc. for rehabilitation of 34 units of rental housing to be purchased from the Des Moines Municipal Housing Agency. ([Council Communication No. 06-239](#)) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Coleman.

BOARD/COMMISSION ACTION(S):

Date: January 22, 2007

Roll Call Number: MHGB 07-091 and 07-092

Action: (A) [3716](#) Indianola Rd. to Community Housing Initiatives, Inc. ([Council Communication No. 07-039](#)) Moved by Hensley to adopt. Motion Carried 8-0.
(B) [5209-11](#) SE 6th to Community Housing Initiatives, Inc. ([Council Communication No. 07-038](#)) Moved by Hensley to adopt. Motion Carried 8-0.

Date: October 23, 2006

Roll Call Number: MHGB 06-2051

Action: [Agreement](#) to Commit Funds to Community Housing Initiatives, Inc. for rehabilitation of 34 units of rental housing to be purchased from the Des Moines Municipal Housing Agency. ([Council Communication No. 06-239](#)) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Coleman.

Date: February 7, 2006

Roll Call Number: N/A

Action: Neighborhood Revitalization Board approves support of HOME funds for rehabilitation of Community Housing Initiative Project.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE