



Council
Communication
Office of the City Manager

Date

June 4, 2007

Agenda Item No. 37

Roll Call No. 07-

Communication No. 07-316

Submitted by: Larry Hulse

Director, Community Development Department

AGENDA HEADING:

Approval of the 28E Agreement with Neighborhood Finance Corporation (NFC); Polk County, Iowa and the City of Des Moines for NFC lending programs.

SYNOPSIS:

Recommend approval of the 28E Agreement which will make available \$1 million of city funds annually, available over a three-year period, for use by the Neighborhood Finance Corporation in its lending programs. The Polk County Board of Supervisors approved the commitment of county funds on May 22, 2007, in an equal amount with the same time frame and terms.

FISCAL IMPACT:

Amount: \$3,000,000

Funding Source: Fiscal Years 2007-08/2012-2013 Capital Improvement Program, G. O. Bonds, URR014, CMO990000, Neighborhood Finance Corporation, Page Economic Development Improvements- 7.

ADDITIONAL INFORMATION:

The 28E Agreement by and among the City of Des Moines, Polk County and the Neighborhood Finance Corporation (NFC) is up for renewal this year. The 28E Agreement provides annual funding to the NFC for use in a variety of housing programs available within specific areas of the City of Des Moines. The current agreement expires June 30, 2007. The original 28E was approved in 1990 and was extended through amendments until June 30, 1997; subsequent agreements were approved in 1997 and 2002.

The city and county funding of the NFC has resulted in assisting over 26,000 units of housing with over \$144 million of loans and grants in the years since the NFC was incorporated. Loans and grants have been provided for rehabilitation of single-family homes, construction of single-family homes as well as assistance for rehabilitation and construction of multi-family units.

There are several differences among this agreement and those previously adopted:

1. The term of the proposed agreement is for three years, July 1, 2007 through June 30, 2010. Previous agreements have been for five years.
2. The agreement signed in 2002 tied the funding level to the performance level of the NFC. In the 2002 agreement, the NFC could have received \$5.9 million total from the City if the organization

- generated the specified amount of loan dollars. The proposed agreement obligates the City and County to each pay no more than \$1 million per year for a total of \$3 million each.
3. The new agreement incorporates additional performance reporting. It requires the NFC to submit an annual audited financial report and quarterly reports of NFC's programs and activities funded using government sources.
 4. Section 9 of the agreement regulates the financing programs developed by the NFC in cooperation with the City of Des Moines Neighborhood Revitalization Program. The term Neighborhood Based Housing Corporation has been eliminated because of its vagueness and confusion with HUD definitions of neighborhood based organizations and community housing development organization (CHDOs). The NFC needs to work with good quality developers and does not need to limit its opportunities to those that are "neighborhood based."
 5. Section 9 adds a phrase that will allow the NFC to finance new construction and rehabilitation of both rental and owner-occupied housing within designated or chartered neighborhoods that are low-to-moderate income regardless of the income of the occupant. For example, the language allows the NFC to assist with a new construction project within a low- or moderate-income chartered neighborhood where the end buyer or renter will be above the 80% limit. City and NFC staff recommended this change to promote mixed-income neighborhoods.
 6. Lastly, the NFC has amended its by-laws and added an employee compensation policy to be in conformance with general requirements that the Council has made for providing funding to 28E organizations.

The NFC Board reviewed and approved the agreement at its board meeting on May 24, 2007.

The Neighborhood Revitalization Board approved the agreement at its May 2, 2007, meeting and sent a letter to City Council recommending execution of the agreement. At the time the agreement was presented to the NRB, the 28E was for three years, with an automatic renewal in 2011 and 2012. The automatic renewal provision was removed by the Board of Supervisors at its meeting on May 22, 2007, when the Board of Supervisors approved the rest of the agreement. The renewal provision has been removed from the agreement to be acted upon by the City Council at the June 4, 2007 meeting.

PREVIOUS COUNCIL ACTION(S):

Date: July 8, 2002

Roll Call Number: 02-1768

Action: Intergovernmental 28E Agreement with Neighborhood Finance Corporation and Polk County to provide necessary housing finance programs to implement a variety of City neighborhood revitalization programs for the period of July 1, 2002 to June 30, 2007. ([Council Communication No. 02-353](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: June 23, 1997

Roll Call Number: 97-2246

Action: Revised Intergovernmental 28E Agreement with Polk County, and Neighborhood Finance Corporation, to extend period thru June 1, 2002. (Council Communication No. 97-337). Moved by McPherson to approve. Motion Carried 5-2. Absent: Phillips and Daniels.

BOARD/COMMISSION ACTION(S):

Date: May 2, 2007

Roll Call Number: N/A

Action: Neighborhood Revitalization Board recommended that City Council approve the 28E Agreement.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE