



**Council  
Communication**  
Office of the City Manager

**Date** June 18, 2007

**Agenda Item No.** 32  
**Roll Call No.** 07-  
**Communication No.** 07-364  
**Submitted by:** Larry Hulse, Community  
Development Director

**AGENDA HEADING:**

Approving 2007 allocations for the Home Investments Partnerships Program (HOME) operated by the Community Development Department.

**SYNOPSIS:**

The resolution recommends allocation amounts for types of housing programs funded with HOME dollars and administered by the Community Development Department. The process of adopting an “annual budget” for the expenditure of HOME funds was approved on March 20, 2006, when the Council approved several processes and procedures for operation of the HOME program.

**FISCAL IMPACT:**

Amount: \$1,015,797

Funding Source: FY2007-08 Operating Budget, SP036 CDD49900 HOME Investment Partnership (HOME) funds, Page 106-107.

**ADDITIONAL INFORMATION:**

The City of Des Moines has received HOME funds administered through the U.S. Department of Housing and Urban Development (HUD) since 1992 as a part of its entitlement funds. Expenditure of HOME funds must be directly related to housing construction or housing renovation for those households or persons below 80% of median income.

Des Moines received a HOME Entitlement of \$1,015,797 for 2007 and received its Environmental Release for use of the funds in May. Of the funding, 10% (or \$101,579) is used for City administration shared by the Community Development and Housing Services Departments. An additional 5% (or \$45,710) is used by approved non-profit Community Housing Development Organizations (CHDOs) for administrative costs. Lastly, Des Moines receives approximately \$100,000 annually in HOME program income as payments are made on previously funded projects. That money is added to the 2007 allocation. This provides \$968,508 dollars to be allocated to programs for bricks and mortar projects in 2007.

The following is a recommendation for the allocation of HOME dollars to be spent by category in 2007 consistent with the goals of the consolidated plan and City Council priorities. A short description of each activity follows the chart.

<b>HOME Category</b>	<b>% recommended in 2007</b>	<b>Dollar Amount recommended in 07</b>	<b>% recommended in 2006</b>
Home Owner Rehabilitation	10%	\$ 96,851	30%
Home Buyer New Construction	30%	\$ 290,552	10%
Home Buyer Acquisition Rehab	10%	\$ 96,851	20%
Home Buyer Down payment Asst.	10%	\$ 96,851	NA
Rental - Rehabilitation and New Construction	40%	\$ 387,403	40%
<b>Total Bricks and Mortar Funds</b>	<b>100%</b>	<b>\$968,508</b>	<b>100%</b>
American Dream Down payment Assist.(ADDI)	N/A	\$ 22,908	

**Home Owner Rehabilitation:** This program is operated by the Community Development Department directly. Priority is given to households with children under six with elevated lead blood levels. This past year, city staff worked closely with the Polk County Health Department in generating applications and funding projects. HOME funds may be combined with CDBG grant funds and provide a match for Lead Reduction Grants from the Polk County Housing Trust Fund and Federal Home Loan Bank. The recommended percentage of HOME funds in this category is decreased from last year for two reasons: 1) The success of the grant applications with the Polk County Housing Trust Fund and Federal Home Loan Bank; and 2) Most homeowner rehabilitation is funded through CDBG funds.

**Home Buyer New Construction:** The percentage of HOME funds in this activity is increased from last year because of the success of the program. Twenty-nine (29) new construction units were contracted in 2006 with 26 units completed, sold and occupied. HOME funds are the only source of funding that can be used for new construction. The funding includes subsidy for new construction for nonprofit housing providers and for profit developers.

**HOME Buyer Acquisition Rehabilitation:** Most of the funding in this category in 2006 and 2007 will be used to renovate housing sold by the Des Moines Public Housing Agency for sale to a low income home owner. The percentage of HOME funds recommended has decreased from last year because of the availability of CDBG funds for this activity.

### **Down Payment Assistance**

The U.S. Department of Housing and Urban Development (HUD) allocates a certain amount of HOME funds to operate as a homebuyer program through down payment assistance. The down payment must be for low-income families who are first-time homebuyers purchasing housing that serves as the family's principal residence. This special funding is referred to as American Dream Down payment Assistance or ADDI. This funding can complement the City's new construction or rehabilitation program and has also worked in conjunction with the NFC programs for a low income, first time homebuyer. The funding has proven very useful in getting a low-income family into a home as construction and rehabilitation costs have increased. Consequently, the funding in the past few years has been spent quickly. Staff proposes adding to this fund with the regular allocation of HOME funds to ensure that low income people are able to purchase homes.

**Rental** (Both rehabilitation and new construction): This funding amount is consistent with the City's Low Income Housing Tax Credit Policies approved last year. The Council will preliminarily commit these HOME dollars depending on the projects that are presented for the 2008 round of Low Income

Housing Tax Credits in November 2007 Staff is already being contacted concerning these funds. Low Income Housing Tax Credits that are receiving funds currently were funded out of 2006 or 2005 program years.

On March 20, 2006, the City Council adopted policies and procedures for efficient administration of the HOME funds. The policies and procedures established:

- An annual HOME budget that includes the range of HOME funds to be spent on types of housing projects (For example, the amount of HOME funds to be spent on rental projects);
- A sixty-month work program for HOME funds;
- An annual allocation process that is separate from but complements the CDBG allocation process; and
- Policies relating to funding projects utilizing Low Income Housing Tax Credits.

The new procedures and policies have proven to be helpful in the administration of the HOME program. Staff from the non-profit housing providers spoke at a meeting of the NRB in support of the new procedures and commented as to how efficiently the nonprofits are now able to access HOME funds for their programs.

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

Date: March 20, 2006

Roll Call Number: 06-569

Action: [Adoption](#) of new policies and procedures for administration of the HOME Investment Partnership Act (HOME PROGRAM). ([Council Communication No. 06-140](#)) Moved by Hensley to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S):**

Date: June 1, 2007

Roll Call Number: N/A

Action: Neighborhood Revitalization Board recommends approval of HOME allocation percentages.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

City Council will review commitments of HOME or CDBG funds for new construction projects, rental projects consisting of 11 or more units, and any development using Low Income Housing Tax Credits.