



# Council Communication

Office of the City Manager

<b>Date</b>	May 19, 2008
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<b>Agenda Item No.</b>	33
<b>Roll Call No.</b>	<del>08-</del>
<b>Communication No.</b>	<del>08-</del> 303
<b>Submitted by: Larry Hulse, Community Development Department Director</b>	

## AGENDA HEADING:

Amending 2007 Program Allocations and Adopting 2008 Program Allocations for the Home Investments Partnerships Program (HOME) Operated by the Community Development Department.

## SYNOPSIS:

Recommend Council amend 2007 program allocations and adopt 2008 program allocations for the Home Investments Partnerships Program (HOME), which is operated by the Community Development Department. The process of adopting an “annual budget” for the expenditure of HOME funds was approved by Roll Call 06-569 on March 20, 2006, when the Council approved several processes and procedures for operation of the HOME program. The proposed adjustments to the 2007 HOME allocations reflect a change in a U.S. Department of Housing and Urban Development (HUD) rule detailing how program income is determined. The proposed 2008 program allocation amounts are for various housing programs funded with HOME dollars.

## FISCAL IMPACT:

Amount: \$988,311 (HUD program funding)

Funding Source: FY 2008-09 Operating Budget, HOME Investment Partnerships (HOME) funds, SP036, CDD049900, pg 108.

## ADDITIONAL INFORMATION:

The City of Des Moines has received HOME funds administered through 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 households or persons below 80% of median income. Annually, the Neighborhood Revitalization Board (NRB) makes recommendations to the City Council on the use of HOME funds consistent with the goals of the Consolidated Plan. HOME funds must be committed via a written agreement with developers, owners, contractors or community development organizations within 24 months of their receipt by the city.

By Roll Call 06-656 on March 20, 2006, the City Council adopted the 2006 Home Budget Allocations for expenditure of HOME funds to be committed by March 31, 2008. In October 2007, HUD notified all entitlement communities that HUD had altered the way in which HOME program income was calculated. As a consequence, the City of Des Moines needed to contract \$1,438,000 of HOME funds and HOME Program Income by March 31, 2008, rather than the \$968,508 expected to be contracted. The City did

successfully commit all the funds, but some projects were moved forward from the 2007 HOME Budget to 2006 HOME Budget in order to meet program income commitment requirements. Therefore, amendments are needed to the 2007 budget allocations to reflect those changes and reflect some changes in market conditions.

<b>HOME Adopted 2007 Program Allocation</b>	
Homeowner Rehabilitation	\$96,851
Homebuyer New Construction	\$338,977
Homebuyer Acquisition/Rehab	\$145,276
CHDO Homebuyer Projects	-
Down Payment Assistance	\$119,759
Rental	\$387,402
<b>TOTAL</b>	<b>\$1,088,265</b>

<b>HOME Amended 2007 Program Allocation</b>	
Homeowner Rehabilitation	\$300,000
Homebuyer New Construction	\$280,000
Homebuyer Acquisition/Rehab	\$93,998
CHDO Homebuyer Projects	\$154,267
Down Payment Assistance	\$10,000
Rental	\$250,000
<b>TOTAL</b>	<b>\$1,088,265</b>

**Homeowner Rehabilitation** is a city-funded project that works with the Polk County Health Department to lower lead levels in owner-occupied housing with children with elevated blood lead levels. The NCS division used CDBG funding in 2006 for this program, would like to utilize 2007 HOME funds for the rest of this year, and will be utilizing CDBG funds in 2008 to continue to finance such a successful program. This level of funding is necessary to utilize the leveraged dollars from the Polk County Housing Trust Fund and the Federal Home Loan Bank. This program has grown significantly over the last year and the number of applications is continuing to increase monthly.

**Home Buyer New Construction and Acquisition/Rehabilitation Program** funding amounts have also been decreased in order to reflect the slow market and give the non-profits and for-profits time to sell their existing inventory. Most of the new construction funding in this category will be used to complement revitalization efforts in the King Irving Neighborhood on lots purchased using CDBG funds. The City is also starting to work with the NFC in this category on their Acquisition Rehabilitation Program in which they are renovating homes in very poor condition for sale to an owner-occupant.

The **Down Payment Assistance** is significantly reduced to reflect the lower amount of money being expended for Home Buyer New Construction and Acquisition Rehabilitation. In addition, staff is reluctant to provide additional down payments if the construction financing gap is over \$24,999. Many of our projects are approaching that level of construction gap assistance. The \$10,000 budgeted in this category has already been reserved for a particular project. There is still a small amount of American Dream Down Payment Assistance or ADDI funding that can provide down payment assistance in 2008.

**CHDO Homebuyer Assistance** reflects the 15% set-a-side of HOME funds for Community Housing Development Organizations (CHDO). Des Moines has one certified CHDO, Community Housing Development Corporation. This funding is intended to be used for construction of a house at 1522 9<sup>th</sup> Street which will utilize “green” building techniques. The details and contracts for this project will be on the June 23<sup>rd</sup> Council agenda.

**Rental** reflects the dollars reserved for the Low Income Housing Tax Credit projects allocated by the Iowa Finance Authority in November 2007 (Homes of Oakridge). The Community Homes project, which utilized HOME funds for rehabilitation of scattered site housing purchased from the Des Moines Municipal Housing Agency, was moved forward to 2006 funds.

<b>HOME Proposed 2008 Program Allocations</b>	
Homeowner Rehabilitation	\$0

Homebuyer New Construction	\$54,000
Homebuyer Acquisition/Rehab	\$0
CHDO Homebuyer Projects	\$155,811
Down Payment Assistance (ADDI)	\$9,256
Rental (LIHTC)	\$500,000
Rental NRB Pilot	\$125,000
TOTAL	\$844,067

**Home Owner Rehabilitation:** CDBG funds will be used to fund the Minor Home Repair Program and the existing Lead Paint Remediation Program in 2008 rather than HOME funds.

**Home Buyer New Construction and Acquisition/Rehabilitation Program:** HOME funds are the only source of funding that can be used for new construction. Staff continues to be concerned about the softness of the market in new construction. This budget reflects funding for lots that have been purchased in the King Irving Neighborhood to continue the neighborhood revitalization effort and complement any funds being provided through the THRIVENT program. At this point, staff plans on providing funds for the Homebuyer Acquisition/Rehabilitation program from CDBG funds.

**Down payment Assistance (ADDI)** reflects the lower amount of money being expended for Home Buyer New Construction and Acquisition Rehabilitation. The ADDI funding is allocated separately by HUD for this purpose. One or two households could be assisted with this amount of funding.

**CHDO Homebuyer Assistance** reflects the 15% set-a-side of HOME funds for Community Housing Development Organizations (CHDO). Des Moines has one certified CHDO, Community Housing Development Corporation. This funding is intended to be used for construction of new house.

**Rental LIHTC** (Either rehabilitation and new construction): This funding amount is consistent with the City's Low Income Housing Tax Credit Policies approved in 2006. Essentially, it allows for funding of two projects at \$250,000 per project.

**Rental NRB Pilot** is an existing program, but encourages outreach to developers and landlords. NRB members and staff met this winter to discuss NRB involvement in HOME and CDBG funded housing projects, particularly rental projects. Funding is included in this category in order to begin soliciting quality rental rehabilitation projects on a smaller scale that are separate from the Low Income Housing Tax Credit Projects. This is an unmet need in the HUD consolidated plan and needs to be addressed. This will be particularly important as projects are identified to address lead remediation for family rental.

**Administration** - The HOME regulations allow for including 10% for City administration and 5% CHDO administration. Of the allocation, \$104,244 is used by City staff for administration and \$50,000 is used by CHCD for administration. That brings the City's total HOME Pool Budget to \$988,311.

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

Date: June 18, 2007

Roll Call Number: 07-1170

Action: [2007](#) Allocations for the HOME Investments Partnerships Program (HOME). ([Council Communication No. 07-364](#)) Moved by Hensley to adopt. Motion Carried 6-1.

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: May 7, 2008

Roll Call Number: Neighborhood Revitalization Board

Action: Recommend approval of amended HOME 2007 Budget allocations and the 2008 HOME Budget allocations

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

The City Council will approve commitments of HOME funds for new construction projects, CHDO proceed developments, and any development using Low Income Housing Tax Credits.

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