



Council Communication

Office of the City Manager

Date

August 11, 2008

Agenda Item No. 27

Roll Call No. 08-

Communication No. 08-484

Submitted by: **Larry Hulse, Director**
Community Development Director

AGENDA HEADING:

Approval of HOME Agreement with Community Development Housing Development Corporation (CHDC) for development of a single family home at 1622 Forest Avenue and use of HOME proceeds for affordable housing.

SYNOPSIS:

Recommend Council Approval of the HOME Investments Partnership Program (HOME) Agreement for construction of a single family house in the King Irving Neighborhood with Community Housing Development Corporation (CHDC) as the developer. The commitment allows CHDC to reuse any HOME proceeds from the sale of the house for construction or renovation of additional affordable housing in Des Moines. The reuse of HOME proceeds is possible because of CHDC's status as a HUD certified Community Housing Development Organization (CHDO), the only one currently operating in Des Moines.

FISCAL IMPACT:

Amount: \$154,000

Funding Source: FY 2008-09 Operating Budget; Community Development Block Grant, SP020 CDD049900, pg 104; HOME Investment Partnerships (HOME) funds, SP036, CDD049900, pg 108.

ADDITIONAL INFORMATION:

CHDC is a nonprofit housing developer located at 601 Forest Avenue in Des Moines, Karen Q. Jeske is the Executive Director. On May 19, 2008 by Roll Call 08-881 that amended the 2007 and adopted the 2008 Home Investments Partnership Program (HOME) budget, the City Council approved financing for a new construction house to be built by a Community Housing Development Organization,

The house is proposed to be constructed at 1622 Forest Avenue. City Council requested a tax sale certificate for this property under Iowa Code 446.19A and assigned the certificate to CHDC by Roll Call 06-1585 on August 7, 2006. On August 21, 2006 by Roll Call 06-1674, the City Council signed an agreement with Sherry Smith to preserve the City's right to take a tax deed to the vacant lot at 1622 Forest Avenue intended for redevelopment for housing. The lot is located in the Forest Avenue Urban Renewal area that includes goals for new single family housing to be built complementary to other architecture in the neighborhood.

The house to be constructed at 1622 Forest Avenue is designed by students from Iowa State University and will utilize green building techniques. It is a two story home with 1568 sq. feet and three bedrooms. The King Irving Neighborhood Association reviewed the plans at their July meeting.

Under the terms of the HOME agreement the house will be built utilizing \$155,000 of HOME funds for construction financing. A portion of the HOME funds will be permanently used for “gap financing”, the gap between the cost to develop the house and the end appraised value, affordable to a low-income buyer.

This contract further allows CHDC to retain the project proceeds from the sale of the home at 1622 Forest Avenue for future affordable housing projects. All the future projects must be approved by City staff prior to commitment of the HOME proceeds. The proceeds must be used for HOME eligible activities but are not subject to all the HOME Program rules. For example, renovation projects funded with CHDO proceeds do not have to adhere to all the lead base paint requirements of HOME projects and a different definition of low income is allowed. The contract to be approved by City Council defines low income as 100% or below of median income. HOME Program requirements are 80% of median income. The higher income definition will allow flexibility in encouraging mixed-income neighborhoods. The contract states that the proceeds may be used by CHDC for new construction, rehabilitation of properties acquired through the tax sale certificate process, homeownership repair within the Forest Avenue Urban Renewal Area or CHDO operating costs.

This retention of HOME proceeds is possible because CHDC is certified as a Community Housing Development Organization (CHDO) under the HOME program because of its board structure and its outreach to the community. Cities participating in the HOME Program are required to set aside a minimum of 15% of their HOME allocation for use by CHDO's. The HOME Final Rule at 24 CRF 92.300(a)(2) gives participating jurisdictions the option of permitting CHDO's to retain any or part of the proceeds resulting from the CHDO's investment of its CHDO set-aside funds. This rule includes allowing a CHDO to retain any proceeds remaining after the sale of a home that has been subsidized by HOME funds. This will allow future projects to be less costly because CHDC will be able to accomplish some of the work without bank financing. CHDC is currently the only HUD certified CHDO in Des Moines.

PREVIOUS COUNCIL ACTION(S):

Date: May 19, 2008

Roll Call Number: 08-881

Action: Amending 2007 Program allocations and adopting 2008 Program allocations for the Home Investments Partnerships Program (HOME). (Council Communication No. 08-303) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: August 21, 2006

Roll Call Number: 06-1674

Action: Resolution approving agreement with Sherry Smith to preserve the City's Right to take a Tax Deed to the Vacant Lot at 1622 Forest Avenue intended for housing redevelopment. (Council Communication No. 06-527) Moved by Vlassis to adopt. Motion Carried 5-1.

Date: August 7, 2006

Roll Call Number: 06-1585

Action:Assignment of Tax Sale Certificate for 1622 Forest to Community Housing Development Corporation. (Council Communication No. 06-482) Moved by Vlassis to adopt. Motion Carried 6-1.

Date: August 7, 2006

Roll Call Number: 06-1583

Action: HOME Agreement with Community Housing Development Corporation for development of a single family home at 1317 Clark Street and use of home proceeds for affordable housing. (Council Communication No. 06-498) Moved by Vlassis to adopt. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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