



Council Communication

Office of the City Manager

Date

August 11, 2008

Agenda Item No. 48
Roll Call No. ~~08-~~
Communication No. ~~08-486~~
Submitted by: Larry Hulse, Director
Community Development Director

AGENDA HEADING:

Approving residential development agreement with Community Housing Development Corporation (CHDC) at 1347 Forest Avenue, approving conveyance of City-owned property at 1347 Forest Avenue to CHDC for \$1, and approving HOME Investments Partnership Program (HOME) Agreement with CHDC for development of a single family home at 1347 Forest Avenue and use of HOME proceeds for affordable housing, all in conjunction with the Forest Avenue Urban Renewal Project.

SYNOPSIS:

Recommend Council approval of residential development agreement with CHDC at 1347 Forest Avenue, conveyance of City-owned property at 1347 Forest Avenue to CHDC for \$1, and HOME Agreement with CHDC for development of a single family home at 1347 Forest Avenue and use of HOME proceeds for affordable housing, all in conjunction with the Forest Avenue Urban Renewal Project. These actions allow for the construction of a single family house in the King Irving Neighborhood with 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 Housing and Urban Development (HUD) certified Community Housing Development Organization (CHDO), the only one currently operating in Des Moines.

FISCAL IMPACT:

Amount: \$155,000

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

ADDITIONAL INFORMATION:

CHDC is a nonprofit housing developer located at 601 Forest Avenue in Des Moines, Iowa, 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 1347 Forest Avenue, a lot owned by the City of Des Moines since 1993. It 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 1347 Forest Avenue is designed by Wells and Associates and will utilize green building techniques. CHDC is working cooperatively with the Center on Sustainable Communities (COSC) and the architect on having the house Leadership in Energy and Environmental Design (LEED) certified at the Platinum level.

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 to a low-income buyer.

This contract further allows CHDC to retain the project proceeds from the sale of the home at 1347 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. In addition, up to 10% of the proceeds can be used for 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 affordable housing 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 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.

Date: September 11, 2006

Roll Call Number: 06-1810

Action: On Proposed Amended Forest Avenue Urban Renewal Plan. (Council Communication No. 06-580). Moved by Vlassis to adopt. Motion Carried 6-0.

Date: October 24, 2005

Roll Call Number: 05-2584

Action: Resolution closing hearing and approving the proposed Urban Renewal Plan. (Council Communication No. 05-601) Moved by Vlassis to adopt. Motion Carried 6-1. Nays: Brooks.

Date: May 24, 1993

Roll Call Number: 93-2015

Action: Acceptance of Quit Claim Deeds for various properties from Polk County to provide for future redevelopment opportunities

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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